Inspiring Food Nourishing Life

KERRY GROUP
ANNUAL REPORT
2019

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Kerry Group is the global leader in taste and nutrition serving the food, beverage and pharmaceutical industries, and is a leader in its consumer foods categories in the chilled cabinet.

STRATEGIC REPORT

2019 RESULTS

2019 RESULTS FINANCIAL HIGHLIGHTS

Group Revenue

€7.2bn

2018: €6.6 billion

Volume Growth[1] of

+2.8%

2018: +3.5%

Trading Profit up 12.1%

€903m

2018: €806 million (up 3.1%)

Group Trading Margin[1] Expansion

+30bps

2018: Maintained

Net Cash from Operating Activities of

€764m

2018: €651 million

Free Cash Flow[1] of

€515m (74% cash conversion)

2018: €447 million (72% cash conversion)

Basic EPS up 4.7%

320.4cent

2018: 305.9 cent (down 8.3%)

Adjusted EPS Growth in Constant Currency[1]

+8.3%

2018: +8.6%

Total Dividend per Share up 12.0% to

78.6cent

2018: 70.2 cent (up 12.0%)

Return on Average Capital Employed[1] of

11.8%

2018: 12.0%

Total Shareholder Return of 29.3% 2018: (6.8%)

Continued delivery and strategic development

- Strong overall revenue growth resulting in record Group revenue
- Good margin expansion achieved in the year
- Taste & Nutrition made significant progress across its strategic priorities
- Consumer Foods division delivered a solid underlying performance in a subdued marketplace
- The Board recommends a final dividend of 55.1 cent per share

1 See Financial Key Performance Indicators section pages 32-33 and the Supplementary Information section page 216 for definitions, calculations and reconciliations of Alternative Performance Measures.

Our Purpose

As the world leader in taste and nutrition, our Purpose is to Inspire Food and Nourish Life.

Our Purpose is central to The Kerry Way and serves as our guiding light on our journey to make it easier and more valuable for customers to do business with us, as we seek to make a greater, more lasting difference in the world by inspiring innovative, natural and sustainable taste and nutrition solutions for consumers, customers, the industry and the world.

Inspire Food · Nourish Life puts food, drink and wellbeing front and centre. Food matters. It brings people together; across cultures, countries and generations. Food is heritage, happiness and health. Food is family and friends. Food is life.

Inspiring Food is about **Innovation**

It is about co-creating better tasting, better performing and better-for-you consumer focused solutions for the food and beverage industry with our customers and partners. Solutions that are enabled by world class science and differentiated through our leading Taste and Nutrition, Wellness and Functionality foundational technologies. Innovative solutions that inspire new growth for customers and a sustainable food future for all.

Nourishing Life is about **Sustainability**

It is about adding value to aspects of life including the safety of our people and the safety and quality of our products which nourish the lives of millions of people around the world every day.

Nourishing life also means something broader, encouraging the professional growth of our people, supporting our teams and their overall wellbeing and contributing to our communities and the environment. Through our Values, voice and visibility we can strive to solve the bigger sustainability challenges facing the world.

Our Values

The Group's Values of **Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit** are also a central element of The Kerry Way and underpin our Purpose.

Further details of our Values are outlined in Our People on page 19.

KERRY GROUP AT A GLANCE

Our Mission Statement

Kerry Group will be:

- the world leader in Taste and Nutrition serving the food, beverage and pharmaceutical industries, and
- a leader in its categories in the chilled cabinet primarily in the Irish and UK markets.

Through the skills and wholehearted commitment of our employees, we will be leaders in our markets – excelling in product quality, technical and marketing creativity and service to our customers.

We are committed to the highest standards of business and ethical behaviour, to fulfilling our responsibilities to the communities which we serve and to the creation of long term value for all stakeholders on a socially and environmentally sustainable basis.

About Us

Since our modest beginnings in 1972, in a greenfield site in Listowel, Co. Kerry, Ireland we have grown from strength to strength to become a leading player in the global food and beverage industry, with current annual sales of €7.2 billion.

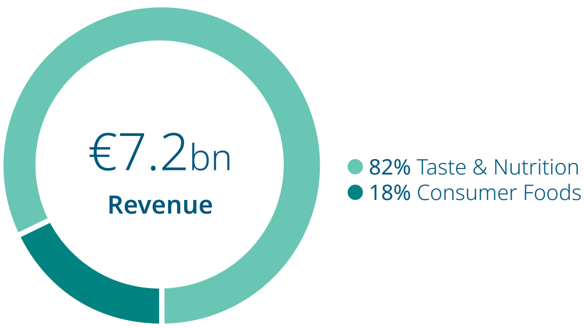
This journey has been one of dynamic growth and strategic acquisition, guided by our in-depth understanding of international market dynamics, insights into consumer trends, shifting taste preferences and evolving nutritional requirements.

As an organisation, we never stand still and are clear with our colleagues, customers and stakeholders; who we are, what we do, how we do it, where we are going and why we matter – we call this The Kerry Way.

Kerry Taste & Nutrition is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical markets. Its broad technology foundation, customer-centric business model, and industry-leading integrated solutions capability makes Kerry the co-creation partner of choice.

Kerry Foods, the Group's Consumer Foods division, has grown its presence with retail partners primarily in the Irish and UK markets. It is a leader in its categories in the chilled cabinet.

Group Revenue by Division



Group Trading Profit by Division

90%

Employee participation in The Kerry Way workshop

26,000+

Employees

151

Manufacturing locations globally

32

Countries with manufacturing facilities

150+

Sales in 150+ countries

Where we operate

18,000+
Products

€291.4m
Investment in R&D

23%
Reduction in carbon intensity

1,000+
R&D Scientists

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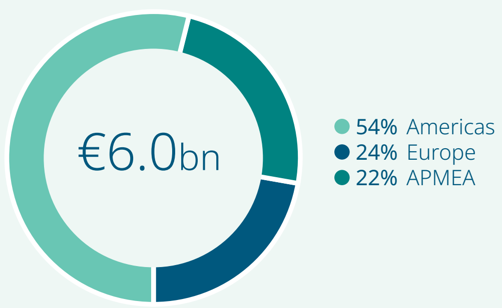
Taste & Nutrition

At Kerry Taste & Nutrition, we understand consumers want to consume food and beverage products that meet their individual taste preferences, nutrition and wellness requirements, while enhancing their lives and contributing to a more sustainable world. Customers including global, regional and local manufacturers, retailers and foodservice providers all continue to re-evaluate the recipes, processes and the ingredients they use in the development of their products.

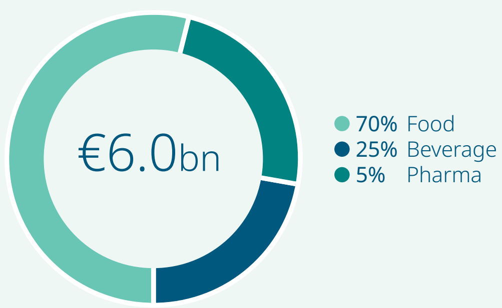
In a highly fragmented market, Kerry has the broadest range of taste, nutrition and functional ingredient technologies and solutions capability available to re-formulate existing products and create new products across all food and beverage end use markets.

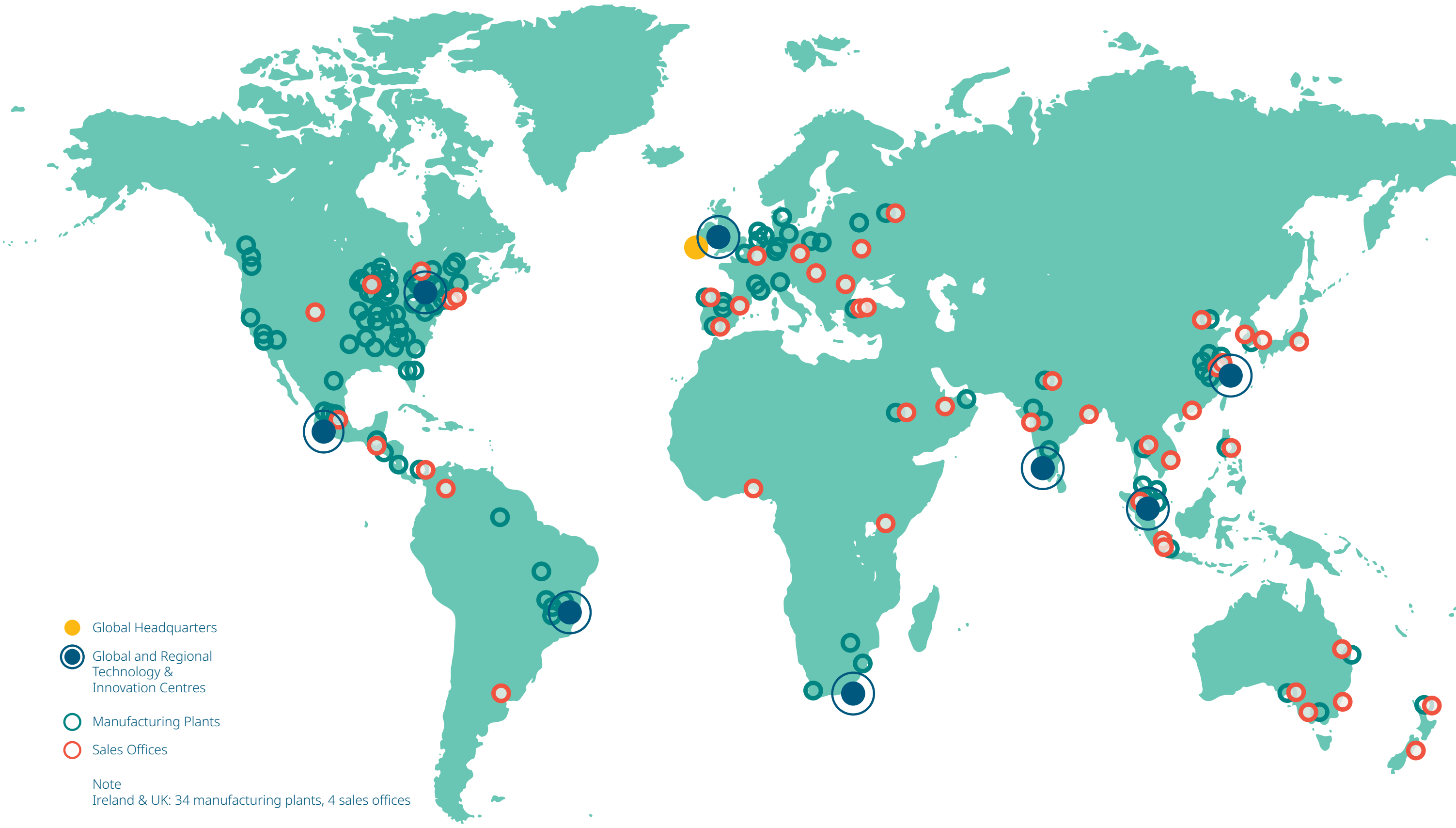
In Kerry, we Inspire Food and Nourish Life through the passion, commitment and work of our global team of expert food scientists, chefs, baristas, brewers, mixologists, bakers and nutritionists. Our leading business model, unique taste and nutrition positioning and leading integrated solutions capabilities differentiate Kerry as the co-creation partner of choice for the food, beverage and pharma industry. We know success requires an ability to stay ahead of ever-changing consumer demand. We partner with our customers to deliver products that will delight and nourish their consumers across the globe.

Revenue by Region



Revenue by End Use Market (EUM)





Consumer Foods

Kerry's Consumer Foods division is a leader in its categories in the chilled cabinet primarily in the Irish and UK markets.

Kerry Foods has many strong and well loved brands including Dairygold, Richmond, Fridge Raiders, Cheestrings and Denny. These brands can be found in kitchens, supermarkets, service stations, convenience stores and entertainment venues the length and breadth of Ireland and the UK. In addition to these brands, Kerry Foods manufactures customer branded products, which can be found in leading supermarkets in Ireland and the UK.

Key to the success of Kerry Foods is its ability to focus on best positioning its offering in the changing marketplace to drive further growth.

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Our Business Model
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Kerry's strategic positioning and leading business model continue to be key drivers of growth

Philip Toomey Chairman

I am pleased to report another successful year for the Group, characterised overall by good business performance and strategic development.

The Group expanded its strategic footprint in developing markets, made good progress integrating a number of strategic acquisitions and further enhanced its integrated solutions portfolio.

The Group's strategic expansion in China progressed well. We upgraded the recently acquired SIAS facility to serve our customers in the Greater Beijing region, and continued the expansion programme at our Nantong facility.

In June, the Group opened a new facility in Tumkur, India, which will serve our rapidly expanding South West Asia market. Further to the acquisition of AATCO at the end of 2018, the Group also invested in expanding our capabilities in the Middle East region.

The recent acquisitions of Fleischmann's (FVC) business, Southeastern Mills (SEM) and Ariake U.S.A., all performed well, and integration is progressing to plan. These acquisitions were complemented by the acquisitions of Isoage Technologies, Biosecur Lab, Diana Food (Georgia, USA) and Pevesa Biotech, further enhancing Kerry's leading authentic taste and clean label technology portfolio which the Group plans to leverage to meet increasing demand across a broader range of applications.

During the year, we continued to evolve our industry-leading integrated solutions portfolio, with the launch of the Radicle™ portfolio of plant-based offerings as a notable example.

Kerry delivered a robust performance in the context of a subdued UK marketplace and excluding the impact of the previously reported ready meals contract exit. A number of new plant-based products were launched under the Naked Glory and Richmond brands in the year.

Strategic Development

Kerry's business model embraces the Group's leadership in Taste & Nutrition and Kerry Foods' leadership positioning in its selected consumer foods platforms. Strategic development of our platforms for growth is underpinned by continued organic growth and acquisitive activity. In a year of significant acquisition investment, the Group completed eleven acquisitions at a net cost of €561.7m.

We continue to pursue organic and acquisitive growth opportunities which build on the Group's business model and can be structurally integrated.

Governance

The Board is firmly committed to maintaining the highest standards of corporate governance in line with best practice. During 2019, the Board reviewed the Company's corporate governance policy and implemented appropriate changes in accordance with the Provisions of the 2018 UK Corporate Governance Code. This included broadening the remit of the Remuneration Committee and strengthening our stakeholder engagement structures with the appointment of Mr. Tom Moran as designated workforce engagement Director. We also engaged with all our other stakeholders during the year, as we believe that listening to their views and needs is fundamental to building a sustainable business. Further details of our stakeholder engagement activities are outlined on pages 100-103.

In 2019, the Board engaged Independent Audit Limited to facilitate a performance evaluation of the Board and its Committees. The Board concluded that the outcomes of the evaluation process have been positive and have confirmed to the Chairman that the Board and its Committees operate effectively. A number of areas of improvement were identified and action plans were agreed which will be addressed during 2020. Further details of the performance evaluation are outlined on page 105.

Purpose and Values

During 2019, the Group articulated its Purpose, refreshed its Values, and communicated and embedded both across the organisation following a collaborative process with input from employees across the Group. Our Purpose to Inspire Food and Nourish Life, and our Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit are core elements of The Kerry Way organisational framework. The Board will continue to ensure that management throughout the Group promote our Purpose and Values to guide our employees in the way we do business.

Sustainability

We understand the importance of delivering long term sustainable economic growth in an ethical manner, aligned to our Purpose and in line with societal expectations.

During 2019, the Group made good progress on its sustainability objectives with the successful conclusion of the Towards 2020 Programme.

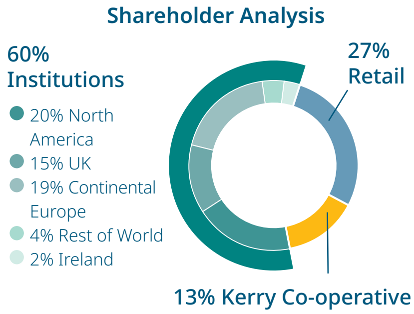
Building on the success of this programme, taking into account the feedback received from ongoing engagement with our stakeholders, we developed a new sustainability programme with even greater ambition, to be launched in the second quarter of 2020. This strategy will address the most material issues for Kerry and our stakeholders and our objective as an organisation, is to continue to integrate sustainability into all aspects of our business to support our Purpose to Inspire Food and Nourish Life.

Further details of our sustainability programme are outlined in the Sustainability Review on pages 49-72.

Operational Visits

As part of an ongoing programme, the June 2019 Board meeting was held in Krakow, Poland. The visit focused on Kerry's Taste & Nutrition strategy for Europe and Russia and featured presentations on strategy, market updates and trading performance from the Polish, Russian, Eastern Europe and Northern Europe senior management teams. An economic update on the Polish market was also presented by an external industry expert. Representatives from a major customer in Eastern Europe were invited to present and engage in discussions with the Board on their experience of working with Kerry. While in Poland, the Board hosted a dinner with key stakeholders including employees and customers, representatives of government, trade and enterprise agencies. This provided an informal opportunity for the Board to engage with stakeholders in the local market.

In 2019, I visited the North America Savoury Taste Centre of Excellence and manufacturing facility in Clark, New Jersey, USA, the opening of our new manufacturing facility in Tumkur, India as well as sites in France and Ireland.



Our People

Central to Kerry's continued success is the hard work and commitment of all our employees and the strength of our senior management teams. During 2019, the Board reviewed senior management development and succession plans having regard to agreed diversity targets, ensuring the appropriate level of skills and diversity exist in the Group to achieve our future growth and development objectives. As I visit sites throughout the Group, I continue to be impressed by the quality, commitment and enthusiasm of our people.

Dividend

The Board recommends a final dividend of 55.1 cent per share (an increase of 12% on the 2018 final dividend) payable on 15 May 2020 to shareholders registered on the record date 17 April 2020.

Together with the interim dividend of 23.5 cent per share, this brings the total dividend for the year to 78.6 cent, an increase of 12% on 2018.

Prospects

The Board remains confident that the Group's business model and strategies will continue to deliver shareholder value and benefit our other stakeholders in the years to come. We will continue to pursue organic and acquisitive growth opportunities and the Group's balance sheet is well placed to support our objectives. The view of management regarding the business outlook for 2020 is presented in the Chief Executive Officer's Review.

Finally, on behalf of the Board, I would like to thank Edmond and all our employees for their contribution to the ongoing success of the Group.

Philip Toomey
Chairman
17 February 2020

Strong growth was achieved in the year, driven by good volume growth in Taste & Nutrition and the contribution from strategic acquisitions

Edmond Scanlon Chief Executive Officer

The food and beverage industry continues to evolve at pace, with a heightened focus on sustainability as consumers are demanding more, which is challenging traditional business models right along the end-to-end supply chain.

Consumers want great taste, including authentic, natural and local taste experiences. They want enhanced nutrition for better health and overall wellbeing, and they expect more convenient and affordable options to match today's on-the-go and digital lifestyles. Consumers are demanding that these experiences are produced and delivered without compromise, in ways that are good for people and the planet. Products are increasingly required to reflect consumers' values on sustainability and provide additional fulfilment by creating positive outcomes beyond the consumption occasion. Our Purpose to Inspire Food and Nourish Life helps define the key role Kerry plays in addressing these needs. As our customers continue to meet these rapidly changing consumer demands and increase speed to market, Kerry is best positioned as the co-creation partner of choice with our unique business model, broad taste and nutrition technology portfolio, and industry-leading integrated solutions capability.

The Group delivered a solid volume growth performance in the year. Taste & Nutrition achieved good volume growth in the Americas, a solid performance in Europe and continued strong growth in APMEA. Consumer Foods delivered a robust underlying performance versus the market, offset by the impact of the ready meals contract exit previously announced.

Results

Group revenue on a reported basis increased by 9.6% to €7.2 billion reflecting volume growth of 2.8%, flat overall pricing, favourable translation currency impact of 2.1% and contribution from business acquisitions of 4.7%.

Taste & Nutrition delivered 4.0% volume growth and Consumer Foods' business volumes reduced by 2.2%.

Group trading margin increased by 30bps to 12.5%, resulting in an overall increase in trading profit of 12.1% to €903m. This trading margin increase reflects growth in both the Taste & Nutrition and Consumer Foods divisions.

Constant currency adjusted earnings per share increased by 8.3% to 393.7 cent (2018 currency adjusted: 363.5 cent). Basic earnings per share increased by 4.7% to 320.4 cent (2018: 305.9 cent).

Kerry's industry-leading research and development expenditure increased to €291m due to additional investment in Taste & Nutrition (2018: €275m). Net capital expenditure amounted to €315m (2018: €286m) as the Group continued to invest in its strategic priorities for growth, in particular authentic taste, clean label technologies and developing market facilities. The Group achieved free cash flow of €515m, reflecting cash conversion of 74% in the year (2018: €447m / 72%).

4.0% Volume Growth

Taste & Nutrition

Volume growth ahead of markets across Food and Beverage EUMs

Reported revenue increased by 12.5%, reflecting good volume growth, significant contribution from business acquisitions and a favourable translation currency impact. Trading profit grew by 14.1% to €918.5m, reflecting a 20bps improvement in trading margin to 15.3%.

2.7% Volume Growth

Americas

Volume growth in the Americas driven by Food EUMs of Meat and Snacks

Reported revenue in the region increased by 16.5% to €3,198m, reflecting 2.7% volume growth, 0.2% increase in net pricing, a favourable translation currency impact of 4.4% and contribution from business acquisitions of 9.2%.

North America delivered good volume growth against a backdrop of softer market volume growth rates. LATAM performed well with good growth in Brazil and Mexico, and a solid performance in Central America.

Within the Food EUMs, Kerry's Meat sub-EUM delivered strong growth, with plant-based offerings in particular delivering an excellent performance, as customers continue to seek innovative solutions to meet the consumer demand for cleaner label and next generation offerings. This performance was complemented by the acquisition of the coatings and seasonings business, Southeastern Mills (SEM), which performed very well.

The Snacks sub-EUM delivered good growth, as Kerry's integrated solutions capability was key to a number of successful customer launches addressing consumer demands for new world taste and healthier snacking experiences.

The Beverage EUMs had a number of plant-based beverage launches and innovations utilising Ganeden® probiotics, contributing to a good finish to the year.

The global Pharma EUMs had a good performance, led by strong growth in excipients in North America.

Good progress was made on the integration of Fleischmann's (FVC) business and Ariake U.S.A., Inc. and both performed well. These were complemented by the acquisitions of Isoage Technologies, Biosecur Lab and Diana Food (Georgia, USA), further enhancing Kerry's leading authentic taste and clean label technology portfolio, which the Group plans to leverage in meeting increasing demand across a broader range of applications.

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2.0% Volume Growth

Europe

Volume growth in Europe driven by Beverage and Food EUMs of Meat and Snacks

Reported revenue in the region increased by 2.4% to €1,456m, reflecting 2.0% volume growth, 0.1% increase in net pricing, a favourable translation currency impact of 0.1% and contribution from business acquisitions of 0.2%. Kerry's performance in the Foodservice channel contributed strongly to growth in the region.

Kerry's Beverage EUMs achieved strong broad-based growth across a number of sub-categories from low/non-alcoholic beverage, tea and coffee to plant-based offerings.

Within the Food EUMs, Kerry's Meat sub-EUM performed very well, with its industry-leading portfolio deployed to create solutions which met a variety of customer and consumer needs. Strong growth and very good business development was achieved in plant-based meat alternatives, supported by the launch of the Radicle™ portfolio.

The Snacks sub-EUM performed well, with a number of new authentic world taste launches and healthy snack products incorporating Kerry's Ganeden® probiotics.

The Group also completed the acquisition of Pevesa Biotech – a specialist plant protein isolates and hydrolysates business based in Spain and serving key nutrition applications.

10.3% Volume Growth

APMEA

Volume growth in APMEA driven by strong growth across all Food and Beverage EUMs

Reported revenue in the region increased by 16.2% to €1,285m, reflecting 10.3% volume growth, 0.1% increase in net pricing, 0.1% favourable transaction currency impact, 0.6% favourable translation currency impact, and contribution from business acquisitions of 5.1%. Key to the strong growth in the region was the further deployment of Kerry's business model with customers across existing and new markets.

Within the Food EUMs, Kerry's Meat sub-EUM delivered excellent growth with both global and regional customers, particularly in China and South East Asia, with a range of innovations meeting key consumer preferences for premium local authentic taste and a superior home delivery experience.

The Snacks sub-EUM delivered strong growth, particularly with savoury taste innovations that meet local consumer preferences.

Kerry's Beverage EUMs delivered strong growth underpinned by a number of successful launches in refreshing beverages with enhanced wellness and functional benefits. The branded DaVinci range enjoyed strong growth across the year.

We continued to make good progress in expanding our capacity and deploying our technology capabilities in the region. Our strategic expansion in China progressed well, as we upgraded the recently acquired SIAS facility to serve our customers in the Greater Beijing region, and continued the expansion programme at our Nantong facility. In June, the Group opened a new facility in Tumkur, India, which will serve our rapidly expanding South West Asia market. Further to the acquisition of AATCO at the end of 2018, the Group invested in expanding its capabilities in the Middle East region.

Consumer Foods

Delivered a solid underlying performance in the context of a subdued market

Reported revenue decreased by 2.4% to €1,307m, reflecting a 2.2% reduction in volumes, 0.5% decrease in net pricing and a favourable translation currency impact of 0.3%. Excluding the impact of the previously reported ready meals contract exit, Kerry delivered a robust performance in the context of a subdued UK marketplace, where lower consumer confidence impacted overall market volumes. The divisional trading margin increased by 10bps to 7.6%. Trading profit decreased by 1.2% to €98.9m in the year. The Realignment Programme was completed during the year and delivered to plan.

The Richmond chilled sausage range delivered a solid performance, led by growth in chicken sausages and the new plant-based sausage which was launched at the end of September, along with a range of meat-free products under the Naked Glory brand. The Denny brand in Ireland performed well. A number of business wins supported our overall performance within spreads.

Chilled meals continued to be impacted by reduced promotional activity, while frozen meals had a good performance across the range. As previously announced, production ceased in the ready meals facility in Burton in September and the site was sold prior to the year end.

The Cheestrings range had strong growth supported by a number of innovations. Fridge Raiders also extended its snacking range to reach a broader consumer market.

Future Prospects

Our markets and the end-to-end supply chain are experiencing unprecedented disruption, as consumers are demanding more than ever before, and traditional business models are being challenged as a result. What consumers want from food and beverage offerings is changing at pace. They want great tasting products that nourish their bodies, enhance their lives and are sustainable for the planet. New entrants and challenger brands have added significant fragmentation to the marketplace. Key for customers to win in this fast-moving environment is the ability to bring more products to market and to do so quicker. This changing marketplace is creating a significant opportunity for enterprises that can deliver on these new requirements. Kerry's unique business model, broad taste and nutrition technology portfolio, and industry-leading integrated solutions capability positions it as the co-creation partner of choice for the food, beverage and pharma industries.

Over the past number of weeks, we have been working with our team in China to manage the ongoing developments relating to the coronavirus. Our first priority remains the safety of our people and their families. Our team in China is taking all appropriate protective measures in our facilities and we are working with the Chinese authorities, our customers and other stakeholders to manage through the situation. We have included in our full year guidance the estimated first quarter impact on our China business.

Taste & Nutrition has strong growth prospects, as we continue to further deploy our industry-leading business model in supporting our customers. Consumer Foods continues to selectively focus on growth opportunities.

The Group will continue to invest for growth aligned to the changing market landscape and pursue M&A opportunities aligned to our strategic growth priorities.

The Group has a strong innovation pipeline and remains confident in its ability to continue to outperform its markets.

Edmond Scanlon
Chief Executive Officer
17 February 2020

Globally connected and winning locally

Our Culture

At Kerry, our people are the winning ingredient in our business. We leverage our diverse, entrepreneurial and results focused culture, talents and expertise to innovate and lead to better food, in a better way for a better future for our customers, our shareholders, our people, our communities and our environment.

Every day, our 26,000+ people access our global expertise and taste and nutrition capabilities to develop innovative food and beverage solutions that offer new growth opportunities for our customers. We represent more than 120 nationalities with operations across more than 150 locations; we are committed to fostering a great place to work, where our people can be at their best and are able to contribute fully to our shared success.

We strive for excellence in the delivery of our core business capabilities and differentiate ourselves as an organisation through our people. We think and act with a Safety First, Quality Always mindset and focus on enabling our people to make it easier and more valuable for our customers to do business with Kerry. We set ourselves the highest standards of business and ethical behaviour.

Our groupwide approach to people leadership is about nurturing a positive environment where all our people are inspired to develop themselves, to learn together and to grow our business; winning for our customers and for Kerry.

Our Purpose to Inspire Food and Nourish Life underpins all our people practices including our commitment to delivering for our communities, globally and locally through charitable initiatives. Our people are actively encouraged, recognised and rewarded for bringing our Purpose to life and for demonstrating our core Values within Kerry.

Our Values

The Kerry Way is our organisation's framework for guiding our decisions and actions, individually and collectively, towards current business priorities, our long term aspirations and our shared goal: To make it easier and more valuable for our customers to do business with us.

The Kerry Way framework was developed through a collaborative process with inputs from our people and seeks to ensure our people feel inspired and connected – to each other, the organisation, and to the impact we have on the world. The Kerry Way framework clarifies who we are; what we do, how we do it, why we matter and where we are going and is fully aligned with our strategic growth priorities.

Our Values are embedded within The Kerry Way framework and were refreshed during 2019 to reflect both the heritage we are proud of, and our ambitions for the future.

Our refreshed Values were approved by the Board in 2019 and the Executive Team are taking a leading role in ensuring our Values are firmly embedded across the Group.

Fostering Diversity, Inclusion and Belonging

80+

Kerry hosted a Masterclass for over 80 companies within the Irish food and drink industry at our Global Technology & Innovation Centre, in Naas, Ireland

40

In North America through our partnership with Women Foodservices Forum, 40 colleagues participated in the Annual Leadership Development Conference in Dallas

10

Kerry Volunteers attended the Special Olympics World Games in Abu Dhabi

As a global business, we appreciate and value our dynamic mix of people who bring new perspectives, experiences and thought leadership to enable our organisation to continuously grow and innovate for our customers. We are committed to creating a positive and inclusive work environment where everyone can be at their best, contribute to our success and excel personally and professionally.

Whilst diversity continues to be a focus, particularly increasing our gender and cultural diversity in leadership roles, creating a culture of inclusion and belonging is equally important for us. We want to ensure all our people's ideas are heard and discussed to strengthen our approach. Our refreshed diversity, inclusion and belonging strategy, informed by inputs from our people as well as external best practice, is fully aligned with business and talent objectives. We focus on raising awareness of this important priority through continued education and training, we promote greater diversity in our leadership profile, we foster a more inclusive workplace and we build and strengthen partnerships within our communities.

One of the highlights from 2019 has been the establishment of employee-led Diversity, Inclusion & Belonging Committees in many locations. These committees actively raise awareness of this important agenda, educate and inspire our people to work together to promote global and local events that foster a more positive and inclusive work environment for all.

Externally, we continue to strengthen core strategic partnerships both within Ireland and globally. In North America through our partnership with Women Foodservices Forum, 40 colleagues participated in the Annual Leadership Development Conference in Dallas, focused on advancing women leaders and driving gender equity in business. Through our membership of the Irish Chapter of the 30% club and the Agri-Food Diversity & Inclusion Forum led by Bord Bia, Kerry hosted a Masterclass for over 80 companies within the Irish food and drink industry at our Global Technology & Innovation Centre in Naas, Ireland, with the aim of sharing thought leadership and innovative practices for attracting, developing and retaining the diverse talent we all need to continue to grow and innovate to secure the future of our industry.

We continue to sponsor volunteer programmes, with the aim of fostering a culture of inclusion both within Kerry and in our communities. We are particularly proud of our partnership with Special Olympics, launched during 2018 in the UK, Ireland, The Netherlands and Poland, which we have committed to extend to 2020. This programme provides opportunities to children and adults with intellectual disabilities to participate all year round in sporting activities and in 2019, a number of selected Kerry volunteers had the unique opportunity to participate in the World Games in Abu Dhabi, supporting athletes and families from all over the world.

Finally, continuing our journey to increase gender and cultural diversity in leadership roles, we have agreed a set of measures with our Executives, endorsed by our Board to ensure our leadership teams and internal talent pipelines better reflect the broader mix of capabilities and cultural diversity we have within our organisation. This will be further developed in 2020 and incorporated in our Sustainability 2030 Plan.

Growing together, Winning together: our Employee Experience

We have a highly engaged and passionate workforce across Kerry Group that wants to be part of making Kerry a better and more successful business for the future. In 2019, we reviewed our approach to employee engagement, partnering with one of the world's leading experts on leadership, culture and employee engagement to develop a more comprehensive engagement strategy. Our overall aim is to develop our leaders' capability to actively champion feedback and engage with their teams, assess and monitor the level of employee engagement and our employees' experience in Kerry as a leading indicator of and contributor to business performance and ensure that Kerry continues to be a great place to work, thrive and succeed.

During 2019, 85% of our people participated in our second groupwide engagement survey to identify areas of strength and areas for continuous improvement within our business. Customer focus, alignment of employee and organisational goals and our Safety First, Quality Always mindset continued to be clear areas of strength. Through a series of follow-up conversations with our people we identified three global engagement priorities for improvement: leadership development, organisational effectiveness, and creating an environment where everyone can fulfil their career aspirations and be at their best. Throughout 2019 we have been focusing on these priorities through a few significant groupwide initiatives, with other initiatives being developed for launch and impact in 2020, as follows:

→ **Strengthening people leader capabilities to grow and lead our business for the future.** Having rearticulated the role of the people leader at Kerry towards the end of 2018, resulting in a new framework and set of objectives for all people leaders, reinforced through our performance management process, we launched a series of leadership summits and workshops across the Group in 2019. To date, over 50% of our people leaders have participated in learning experiences to understand how to nurture talent as a catalyst for growth, to help our people develop meaningful careers with Kerry and to build sustainable, effective and diverse teams that deliver exceptional results.

In addition, we sought to further clarify expectations for all leaders within Kerry during 2019. Following workshops held with over 70 senior leaders, covering 14 nationalities, across all parts of our business, we agreed a core set of Leadership Competencies, which describe the skills and behaviours expected for successful execution of our strategy now and in the future. These competencies will set common standards for leadership at Kerry and will be actively reinforced through all our key people processes.

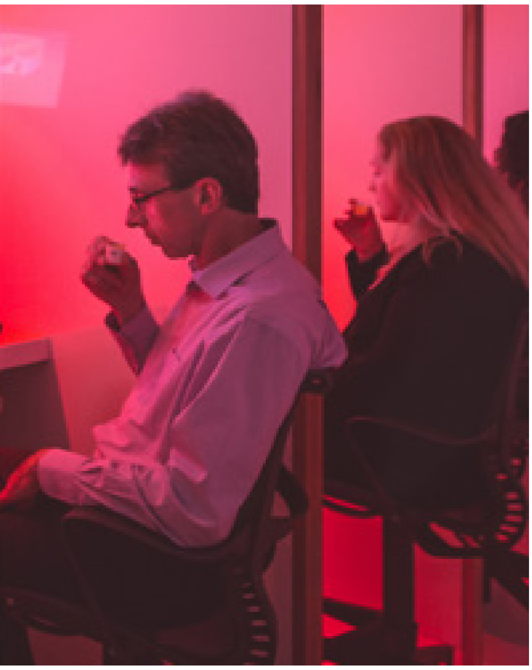
→ **Aligning to improve organisational effectiveness.** To enable our employees to make it easier and more valuable for our customers to do business with us, 2019 has seen us focus on further refining our operating model – how we better service our customers and continue to be the world's leading Taste & Nutrition company. As a consumer-led customer-centric organisation, we have structured our business to be close to the market and consumer with our applications and sales teams based in local markets. Internally we have streamlined our processes, and connected our global capabilities, for faster and more innovative responses for the customer. Over 100 commercial leaders from across the Group have been involved in enhancing our approach and we will continue to progress this in 2020.

→ **Being at our best: The Kerry Way.** Bringing to life what it means to work at Kerry, sharing our Purpose and creating an environment where everyone is connected to our ambitions in order to fulfil their own potential and deliver for our customers, we initiated a groupwide The Kerry Way employee engagement initiative to reach our 26,000+ employees. Inspired by sharing personal stories and demonstrating leadership in action, our people leaders have led structured workshops with their teams focused on understanding who we are, what we do, how we do it, where we are going and why we matter as a business throughout 2019. A key part of these workshops has been connecting our people to our Purpose and our Values and sharing our Vision for building a future for Kerry within our industry and society in general. To date 90% of employees have participated in workshops and we will reach all employees by early 2020.

During 2019, the Board appointed Mr. Tom Moran as designated workforce engagement Director. The Board approved a workforce engagement plan for the designated workforce engagement Director which includes visits to office and manufacturing locations in Ireland, UK, France, North America, Latin America and Asia. These visits will provide an insight into a range of workforce engagement activities within Kerry and opportunities to directly engage with the workforce. Typical activities will include leaders and employees bringing to life The Kerry Way, embedding our Purpose and our Values in daily activities, engaging in two-way communication and providing feedback through Town Halls and workshops, building community partnerships through local volunteer programmes and proudly celebrating Kerry's inclusive and diverse culture through sponsored global and local activities.

We will continue to monitor progress against all our global improvement opportunities through ongoing dialogue with our leadership teams, our people and targeted pulse surveys within the business during 2020.

Promoting safe and healthy workplaces and work practices for our people



→ **Safety First, Quality Always.** The safety of our people and food safety are core priorities for Kerry, and our commitment to our people and our customers is reinforced through our 'Safety First, Quality Always' practices.

During 2019 we continued to invest in our people, our processes and infrastructure, strengthening our functional capability through technical learning and career development opportunities, and enhancing our global capabilities to improve our own global quality, safety, health and environmental standards and policies as well as to meet industry and regulatory requirements.

#Safetyfirst was the theme for 2019's Kerry Global Safety Day. It was a call to action to prevent accidents in the workplace. Workplace safety is very important to Kerry, and we all have a desire to work in a safe and protected environment. Workshops sponsored by our global executive team were held across key sites to promote and encourage collective action to ensure we create safer workplaces for all our people.

→ **Code of Conduct.** Through our Kerry Code of Conduct we focus critical attention on ethical business practices and provision of a safe and healthy workplace. Our programme of employment compliance modules, covering Information Security, Intellectual Property, Anti-Fraud and Code of Conduct, is updated annually to maintain regulatory, legislative and workplace relevance, and governed by our Compliance Steering Committee with representation from across the business. This programme has been completed by over 80% of our people during the past two years and continues to be a priority area of focus for our business.

Achieving results ethically and in compliance with all relevant legislation will always be an absolute expectation at Kerry Group. We operate a zero-tolerance approach to labour abuses and support effective abolition of child and forced labour worldwide. The Group's 'Express a Concern' hotline provides a mechanism by which employees can report concerns in confidence through an externally facilitated channel.

→ **Health & Wellbeing.** Personal health and wellbeing of all our people is paramount. At Kerry we appreciate the importance of having a supportive wellbeing programme in place. Our wellbeing framework has four pillars – nutritional, physical, emotional and financial. We continue to develop and embed wellbeing practices through our leadership development and employee wellbeing programmes.

Safety *First,*
Quality *Always*

Strengthening our Talent Pipeline

At Kerry we pride ourselves in our ability to offer opportunities for all our people to grow professionally and personally. Through our 'world of opportunity' initiative, promoted throughout 2019, and our global mobility programmes, we supported over 550 moves this year, with our people relocating for assignments in all corners of the world, contributing their expertise to drive local growth for our customers and Kerry and to gain new cultural and life experiences. With an explicit focus on leveraging our global footprint to develop future leaders, we continue to encourage our early career employees, typically graduates and those with less than five years' experience, to seek out global opportunities to broaden their experiences to support their career progression. Graduates and employees with less than five years' experience represent over a quarter of all international moves in Kerry.

Kerry's renowned Graduate Development programme continues to be a core component of our strategy to strengthen our future talent pipeline, providing opportunities for graduates to work and develop across a wide range of core disciplines, enabling longer term sustainable leadership for the organisation. In 2019 we upgraded our graduate assessments to ensure Kerry remains competitive in today's graduate marketplace and have plans to enhance our global graduate offering and development solutions in 2020.

Rewards and Recognition

Our Global Recognition Framework promotes the further growth and consistency of our regional and local recognition programmes.

In line with our aim to be the first choice for the best talent around the world, our reward programmes are locally advantageous to support both the business strategy and the diverse needs of our people as well as focused on recognising their performance, potential and business value creation.

We are committed to gender pay equality and will continue to proactively monitor the pay of male and female colleagues doing similar roles to ensure it is comparable. We appoint and promote based on merit and will continue to encourage the career development of all our people, paying attention to our promotion and recruitment practices with regards to gender, to support greater female representation at all levels.

At Kerry, 'Total Reward' is about more than just pay and financial rewards, it encompasses robust learning, career development, personal growth and worldwide opportunities in an inclusive culture where all our people can flourish.

During 2019, we carried out a Total Reward review across several countries which collectively represented approximately 80% of our global workforce. The purpose of this review was to ensure that our reward programmes continue to be positioned as one of the key levers of business performance, are appropriately aligned with the external market, and are delivered in a way which makes them more easily understood and appreciated by our employees. As part of this review, we refreshed our reward philosophy and this framework will guide us as we implement the recommendations arising from this review during 2020 and beyond.

The Remuneration Committee of the Board was kept updated on matters arising from the Total Reward review. This review allowed the Committee to consider the alignment of Executive Directors' remuneration with that of the wider workforce.

550+

Internal moves created through our 'world of opportunity' and mobility programmes

The industry reference and customer preference – creating value for all stakeholders

A. FOUNDATIONAL TECHNOLOGIES

Authentic Taste
+
Nutrition, Wellness & Functionality

B. INTEGRATED VALUE CREATION ENGINE

Culinary & Insights

Development & Applications

Product Process Technologies

End Use Markets

- Food
  - Meat
  - Dairy
  - Meals
  - Snacks
  - Bakery & Confectionery
  - Cereal & Sweet
- Beverage
- Pharma

C. CUSTOMERS & CHANNELS

Global

Regional

Local

Retail

Foodservice

PEOPLE + CULTURE + SUSTAINABILITY

Inputs

30,000 **Shareholders**

26,000+ **Employees**

Sales in 150+ countries

Consumers

Community & Government

Manufacturing in 32 countries

OUR BUSINESS MODEL

Kerry's customer-centric business model comprises three core elements – a diverse portfolio of **foundational technologies**, a unique **integrated value creation engine** and unparalleled **customer and channel** access.

A. Kerry has the industry's broadest portfolio of foundational technologies, built up over 30 years and used to deliver both enhanced taste attributes and improved nutrition and functionality. Combining these technologies is a key driver of today's consumer preferences and a significant customer challenge. Kerry's positioning at the intersection of taste and nutrition and understanding of how these work together provides a unique ability to deliver tailored customer-specific solutions.

B. The integrated value creation engine is where Kerry excels by utilising its global infrastructure across the entire product development cycle from ideation right through to product launch. The three cogs of this engine comprise Culinary & Insights which encapsulates the market discovery, ideation and concept creation phase; the Development & Applications teams who work together to create products with the relevant taste and nutrition attributes, while using Kerry's sensory, analytical and regulatory experts to ensure the product meets consumer preferences; and Product Process Technologies, where Kerry's extensive understanding of the end-to-end supply chain, process engineering and unique ability to develop finished consumer products distinguishes it from others. Kerry is the leading provider of integrated solutions, leveraging these interconnected capabilities to drive value for customers. Therefore if a customer wants to bring a new product to market quickly or move into an adjacent category across the food, beverage and pharma landscape, Kerry is the co-creation partner of choice.

C. Kerry delivers customer solutions across a broad set of routes to market in both the retail and foodservice channels. Its diversified range of customers extends from global to regional and local leaders.

These wide ranging capabilities continue to be deployed in local markets through our expansive infrastructure, allowing Kerry to successfully meet local consumer needs, deliver on our strategy and drive sustainable business performance.

Outputs

+29% **TSR in 2019**

€1.3bn **Payroll**

Customers

18,000+ **Products**

200+ **Articles published since 2016 by Kerry Health & Nutrition Institute**

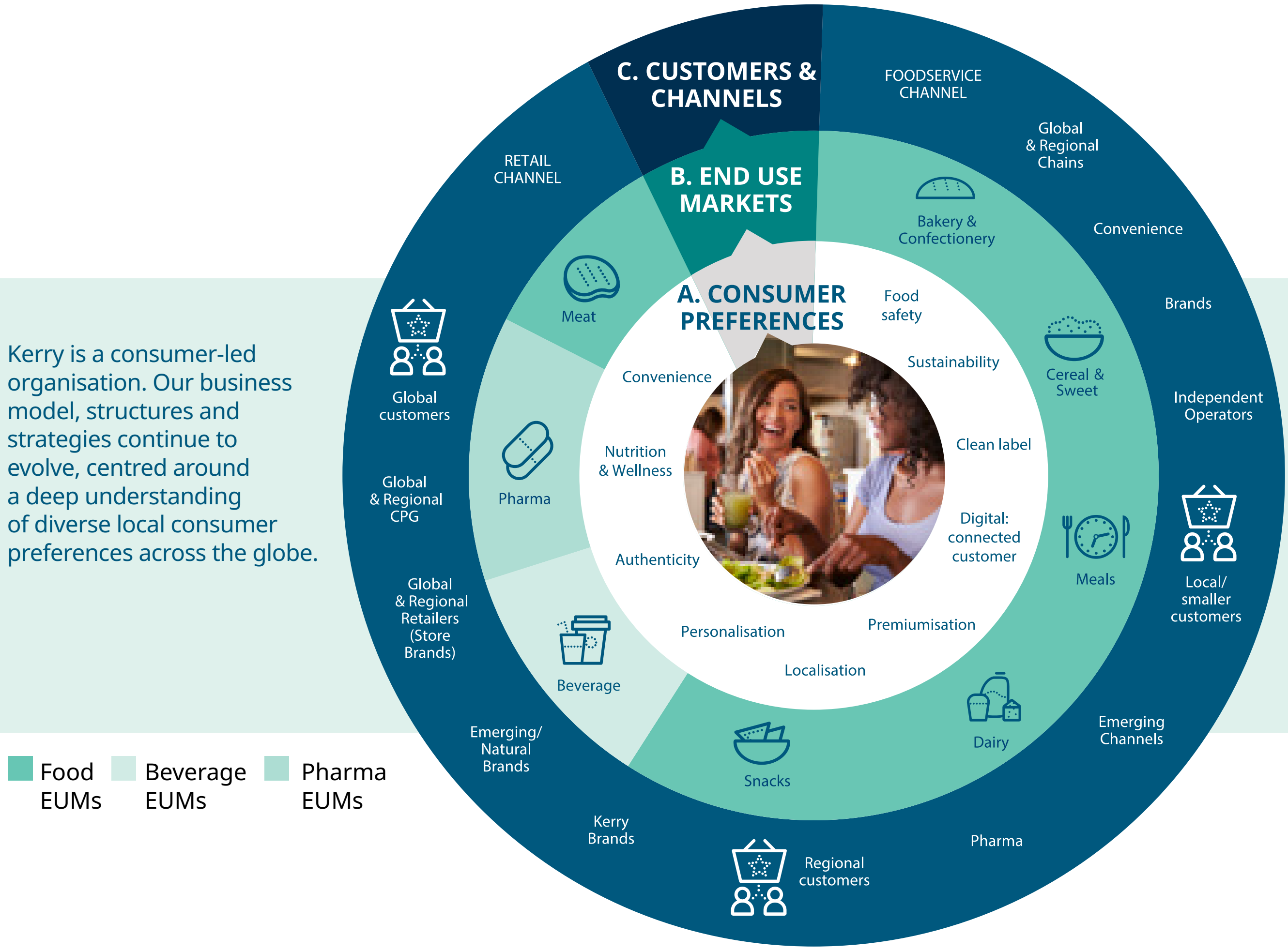
7,000+ **People impacted by the RAIN Programme**

+
Read more about the RAIN Programme in our Sustainability Review
page 69

1.

The consumer is at the centre of everything we do

Kerry is a consumer-led organisation. Our business model, structures and strategies continue to evolve, centred around a deep understanding of diverse local consumer preferences across the globe.



A. Consumer Preferences

Kerry's approach is focused on fundamentally understanding local consumer preferences and supporting customers as they seek to innovate to win in today's food, beverage and pharma marketplace.

B. End Use Markets

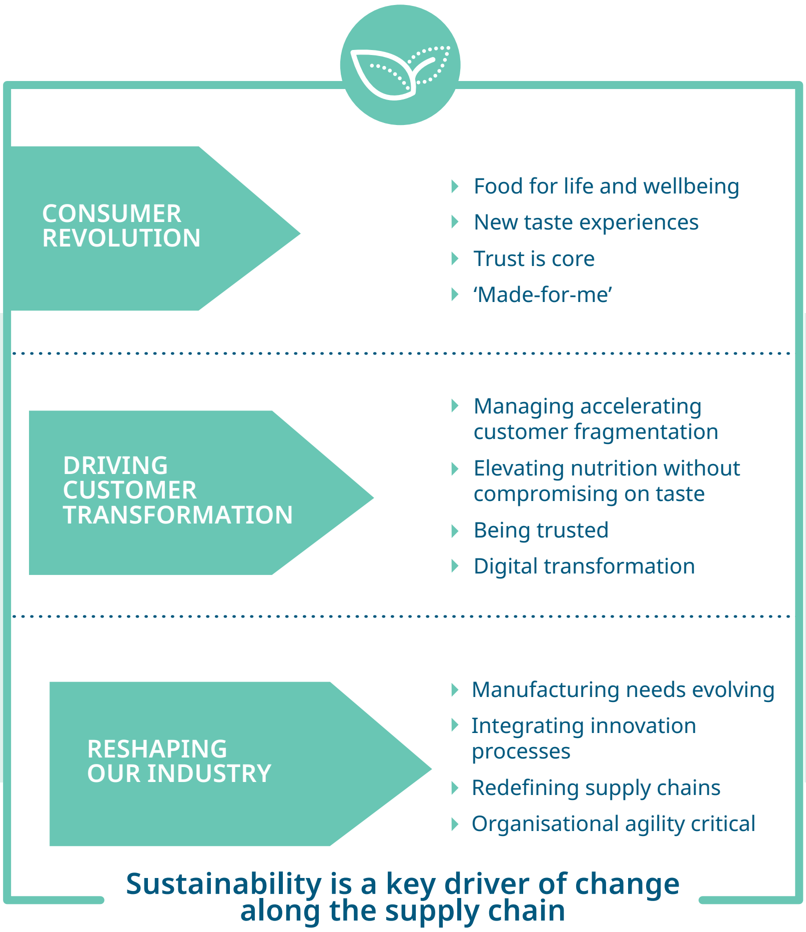
Kerry's sales are viewed primarily through the lens of its food, beverage and pharma end use markets, through which it sells 18,000+ products.

C. Customers & Channels

Kerry has a customer base that is well diversified between global companies, regional leaders and local/smaller players. The Group works effectively across this wide range of customers and tailors its approach to best serve each individual customer type.

Kerry serves the market through a number of different sub-channels that are principally grouped under either the retail or foodservice channels.

2.
The changing marketplace is reshaping our industry



3.
Leading to significant market opportunity

Kerry's markets and the end-to-end supply chain are experiencing unprecedented isruption, as consumers are demanding more than ever before and traditional business models are being challenged as a result. What consumers want from food and beverage offerings is changing at pace, they want great tasting products that nourish their bodies, enhance their lives and regenerate the planet. New entrants and challenger brands have added significant fragmentation to the marketplace. This is leading to the requirement for shortened product development lifecycles as consumers want to continuously try new things.

Customers are responding by delivering authentic products that combine great taste while meeting nutrition and functionality demands. Trust is absolutely paramount as consumers seek socially responsible offerings from companies that follow sustainable practices. Key for customers to win in this fast moving environment is the ability to bring more products to market and do so quicker. All of these changes are reshaping our industry, challenging long established business models and redefining traditional ways of working.

This changing marketplace is creating a significant opportunity for enterprises that have the business model and capabilities to deliver on these new requirements.

Customers continue to look for partners that provide an enhanced innovation service and can perform value-add activities that may have previously been an internal step in a new product launch. This is leading to significant market opportunity and a potential future market far in excess of the current estimated market size of c. €75 billion.

STRATEGY & FINANCIAL TARGETS

Strategic Priorities for Growth

The Group has clear strategic priorities for organic and acquisitive growth which are the main drivers of our medium term organic growth targets and focus areas for capital allocation.

These are complemented by our margin expansion objectives and underpinned by a returns discipline, with sustainability a key consideration for all strategic decisions.

STRATEGIC PRIORITIES FOR GROWTH

TASTE & NUTRITION

AUTHENTIC TASTE

NUTRITION, WELLNESS & FUNCTIONALITY

OVERVIEW

Our **Authentic Taste platform** is founded on a 'from-food-for-food' heritage and philosophy, with a broad range of foundational technology capabilities in Dairy, Savoury, Smoke & Grill, Citrus, Tea & Coffee, Beverage and Sweet amongst others.

Kerry has an extensive portfolio of technologies across both Taste and Nutrition. It has developed its unique ability to deploy these technologies together to enhance the taste and improve the nutrition and functionality of products, which has been integral to Kerry leading the industry shift towards delivering customer specific integrated solutions.

Our **Nutrition, Wellness & Functionality platform** delivers benefits such as natural preservation, immunity support, digestive health, sustainable efficiencies, fortification and cleaner labels. These benefits are achieved by leveraging this broad foundational technology platform which includes Proteins, Fibres, Enzymes, Probiotics, Texturants, Food Protection and Natural Preservation Solutions amongst others.

KEY ACHIEVEMENTS

STRATEGY IN ACTION

Winning in the Market through Kerry's Leading Plant-Based Offering

The demand for plant-based products is growing at pace across a range of categories, as consumers recognise the health benefits of a balanced diet and the ever increasing impact of sustainability on purchasing decisions. Customers continue to expand their ranges and improve the product attributes of their offerings, including improving flavour, texture, nutritional value and delivering a cleaner label. During the year Kerry launched its Radicle™ brand to allow customers to access the full suite of its plant-based offering. Examples of a number of successful launches during the year across a variety of applications are outlined below.

Meat-Free Al Pastor Plenti

- Authentic Savoury™ Clean Smoke, Al Pastor marinade
- Plenti™ Protein
- Freshness – Clean Label Preservation

RADICLE BY KERRY

Dairy-Free Cold Brew Soft Serve

- Cold Brew Extract & Functional Oat Solution
- Natural Flavour & TasteSense™ Solution
- Clean Label Texture Solution including Emugold™ Fibre

Coconut & Lemongrass Protein Beverage

- TasteSense™ – Sugar Reduction Technology
- Simply Nature™ – Lemongrass Extract and Coconut Crystals
- Prodiem™ Refresh

STRATEGY & FINANCIAL TARGETS

The **Taste & Nutrition** division's leading strategic priorities for growth are Authentic Taste combined with Nutrition, Wellness & Functionality. These are intrinsically intertwined, as Kerry's philosophy and ways of working focus on delivering great tasting products, whilst enhancing their nutrition, wellness and functionality.

The Group also continues to advance our leading positions in Developing Markets and the Foodservice channel.

The **Consumer Foods** division is a leader in its categories in the chilled cabinet and is focused on best positioning its offering in the changing marketplace to drive further growth.

+
Taste & Nutrition Business Review pages 42-46
Consumer Foods Business Review pages 47-48

TASTE & NUTRITION

DEVELOPING MARKETS

Kerry's local knowledge and focus, combined with its global expertise and capabilities have been key to its excellent track record of growth in developing markets.

Kerry's target is to continue to achieve average volume growth in developing markets of 10%+ per annum over the five year plan.

The official inauguration of Kerry Tumkur facility in India. Pictured: Scott Scharinger, VP & General Manager SWA; Ambassador Brian McElduff; Philip Toomey, Chairman; John Savage, President & CEO Kerry APMEA.

- Continued strong organic performance, with volume growth of 10.0%.
- Strategic expansion in China through upgrading the recently acquired SIAS facility to serve customers in the Greater Beijing region, and the continued expansion of the Nantong facility.
- Commissioned new state-of-the-art 40,000m^2 facility in Tumkur, India, which is another example of the Group's ambition for sustainable production.

FOODSERVICE

Kerry has an unrivalled position as a partner to the Foodservice channel. The breadth of our offering and depth of capabilities means Kerry is the leading partner for foodservice operators, as it provides menu innovation and new platforms, themed & seasonal offerings and nutrition-led innovation.

Kerry's target is to achieve average volume growth in Foodservice of 7% per annum over the five year plan.

- Achieved good volume growth of 5.5% in the year.
- Excellent growth within beverage in Europe, as the nutritional partner to a number of leading Foodservice players.
- Strong growth across the APMEA region, with the DaVinci brand performing particularly well.

CONSUMER FOODS

Core
New occasions
New channels
New customers
Adjacencies

A leader in its categories in the chilled cabinet primarily in Ireland and the UK.

We will continue to drive growth and outperform our markets in our core business by responding to key consumer trends in meat, meals and dairy, while also leveraging this core expertise in developing and expanding adjacent categories.

DAIRYGOLD
Strings & Things
RICHMOND
DENNY
FRIDGE RAIDERS

- Achieved underlying volume growth ahead of our markets, which were challenged in the year due to softer consumer demand.
- Achieved strong growth in our adjacent categories, particularly in snacking through the Cheestrings and Fridge Raiders ranges.
- Launched a number of plant-based offerings under the Richmond and Naked Glory brands.

STRATEGY & FINANCIAL TARGETS

Strategic Priorities for Margin Expansion

Operating Leverage	Portfolio Evolution	KerryExcel Savings	KerryExcel Investment
Optimise leverage	**Differentiate**	**Drive efficiency**	**Re-invest to grow**
Leverage 1 Kerry platform	New foundational technologies	Manufacturing excellence	Fragmentation response
Leverage routes to market	New markets	Supply chain excellence	Localisation of footprint
Leverage customer centres	New channels/geographies	Commercial excellence	Increased R&D
Leverage footprint	Manage churn with agility	Service excellence	Kerryconnect/Business Services

Medium Term Financial Targets

The medium term financial targets are based on a combination of growth and return.

Our overall target of 10%+ average constant currency adjusted EPS growth represents a balance of volume growth and margin expansion, supported by the reinvestment of cash in our strategic priorities. The metrics of return on average capital employed and cash conversion represent a balanced assessment of performance over time.

These metrics ensure that there is an appropriate balance between growth and return. We believe that the delivery of these financial targets should underpin a Total Shareholder Return outperformance relative to our peers.

Strategic Medium Term Financial Targets

On average over life of plan

GROWTH	Volume Growth[1] 3-5% (T&N 4-6% Foods 2-3%)	Margin Expansion +30bps	Investments for growth	Constant Currency Adjusted EPS Growth[2] +10%
RETURN	ROACE[2] 12%+	Cash Conversion[3] >80%	Dividend Growth 10%+	Total Shareholder Return Outperformance

Note 1: Volume growth targets assume 2% above market growth rates.
Note 2: Adjusted EPS growth and ROACE are calculated before brand related intangible asset amortisation and non-trading items (net of related tax).
Note 3: Cash conversion is free cash flow expressed as a percentage of adjusted earnings after tax.

Full definitions can be found on pages 216-219.

STRATEGIC ADVANTAGE

MARKET LEADER

Global leader in Taste & Nutrition – Co-creation partner for the food & beverage industry

Largest Taste & Nutrition business in Developing Markets

Global Leader in Taste & Nutrition solutions into Meat/Meat Alternative Market

Global Leader in Clean Label solutions (in particular natural preservation & natural taste)

In 5 of the top 10 blockbuster drugs

Leader in our chilled foods categories in Ireland and the UK

TECHNOLOGY LEADER

Unique expertise in technology integration for solution delivery

Industry-leading application & culinary expertise

Leading technology portfolio

Deep science & research expertise aligned to global network of partners

Unparalleled breadth of product process expertise

Best-in-industry infrastructure of global and local technology & application centres

PROVEN SUCCESS

33 years of consistent results since 1986

10% CAGR for revenue

13% CAGR for trading profit

13% CAGR for adjusted EPS growth

16% CAGR on share price

17% CAGR on dividend per share

CAGR = Compound Annual Growth Rate

We have a long history of sustained profitable growth.

Group strategy will continue to be achieved through the commitment and expertise of our people.

GROWTH POTENTIAL

Industry-leading business model

Unique Taste & Nutrition positioning with long runway of technology deployment opportunities

Winning across all customer segments and channels

Further strong growth potential in developing markets

Extensive global footprint platform to meet local needs

Proven consolidator

SUSTAINABILITY

Long term strategy fully anchored in our Sustainability commitments

Natural community based heritage

Investing for a sustainable future

Strong delivery against 2020 targets

Milestones linked to performance management

Innovative health & wellbeing programmes supporting communities globally

PEOPLE

Proven leadership and management capability

Ambitious, results driven and collaborative culture

Investment in leadership, professional and technical capabilities for the future

Opportunities for personal growth and career fulfilment

Global mobility programme

Diverse and inclusive teams

Reward & recognition focus

+
Sustainability Review pages 49-72
Our People pages 18-23

FINANCIAL KEY PERFORMANCE INDICATORS

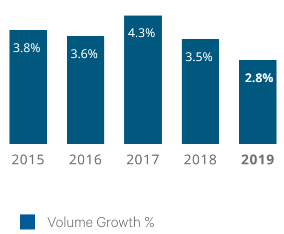
The metrics outlined below are the important measurement indicators of Group performance in meeting its financial objectives. The Group's financial objective is to maximise shareholder return by delivering on the targets of growth in business profitability and meeting return on investment hurdles.

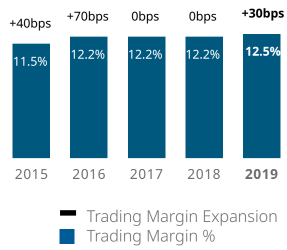
The Group also has a range of non-financial metrics that are used to measure performance with customers, suppliers, community, environmental targets and employee engagement. The non-financial metrics are shown in the Sustainability Review and complement the financial metrics detailed below.

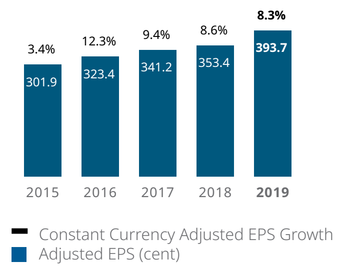
GROWTH

Key Financial Performance Metric	Volume Growth 2.8%	Trading Margin Expansion +30bps	Constant Currency Adjusted EPS Growth +8.3%
Definition[1]	Volume growth represents sales growth year-on-year, excluding pass-through pricing on raw material costs, currency impacts, acquisitions (net of disposals) and rationalisation volumes.	Trading margin expansion represents the change in trading margin in the current year compared to trading margin achieved in the prior year. Trading margin represents trading profit expressed as a percentage of revenue.	Constant currency adjusted EPS growth represents adjusted EPS in the current year compared to adjusted EPS achieved in the prior year calculated on a constant currency basis. Adjusted EPS is considered more reflective of the Group's underlying trading performance than basic EPS.
Performance Commentary	The Group achieved volume growth of 2.8% in the year which outperformed the market. This reflected strong growth in the Taste & Nutrition division, partially offset by the performance of the Consumer Foods division which was impacted by a contract exit.	The Group increased its trading margin by 30bps to 12.5% in the year.	The Group achieved constant currency adjusted EPS growth of 8.3% reflecting a consistent solid performance in the year.

Historical Performance







Key Financial Performance Metric	Volume Growth	Trading Margin Expansion	Constant Currency Adjusted EPS Growth
Strategic Linkage	Volume growth is an important metric as it is seen as a key driver of top-line organic business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers to cater for raw material price fluctuations. Pricing therefore impacts like-for-like revenue growth positively or negatively depending on whether raw material prices moved up or down.	Trading margin expansion is a key measure of profitability, demonstrating improvement in the product mix being sold and in operational efficiency in the business.	EPS growth is a key performance metric encompassing the components of growth important to the Group's stakeholders. Volume growth and margin expansion are two key drivers of EPS growth.
Link to Remuneration	Volume growth is a metric in the short term incentive plan and is a key driver of adjusted EPS growth, which is a metric for the long term incentive plan.	Trading margin expansion is a metric in the short term incentive plan and is a key driver of adjusted EPS growth, which is a metric for the long term incentive plan.	Constant currency adjusted EPS growth is a performance metric for the long term incentive plan.

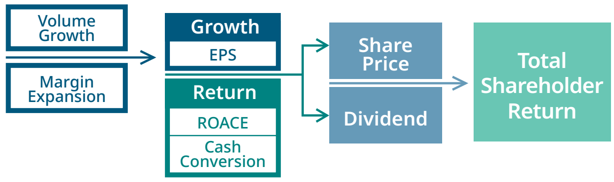
[1] These are non-IFRS measures or Alternative Performance Measures. Definitions, calculations and reconciliations for these are set out above and within the Supplementary Information section – Financial Definitions on pages 216-219.

Non-Financial KPIs are detailed in the **Sustainability Review** pages 50-51

Business strategy is set by the Board of Directors and all Kerry employees work towards achieving these goals.

Performance evaluation takes account of all key performance indicators. Remuneration is directly linked with performance versus targets.

Drivers of Shareholder Return

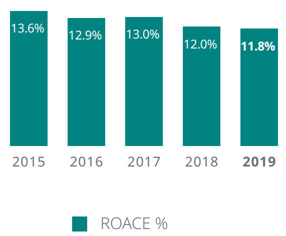


RETURN

Return on Average Capital Employed (ROACE) 11.8%

This measure is defined as profit after taxation before non-trading items (net of related tax), brand related intangible asset amortisation and finance income and costs, expressed as a percentage of average capital employed.

The Group achieved ROACE of 11.8% reflecting strategic acquisitions and investments made in the year.



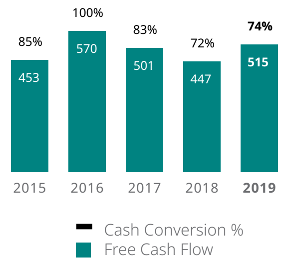
ROACE is a key measure of the return achieved by the Group on its investment in capital expenditure projects, acquisitions and other strategic investments, as a percentage of what resources are available to the Group.

ROACE is a performance metric for the long term incentive plan.

Cash Conversion 74%

Cash conversion is defined as free cash flow, expressed as a percentage of adjusted earnings after tax.

The Group achieved cash conversion of 74%, reflecting good cash generation partially offset by capital investment for growth and additional working capital in the year.



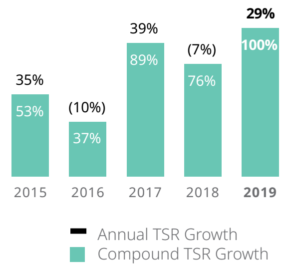
Cash conversion is an important metric as it measures how much of the Group's adjusted earnings after tax is converted into cash.

Cash conversion is a performance metric for the short term incentive plan.

Total Shareholder Return (TSR) 29.3%

TSR represents the change in the capital value of Kerry Group shares plus dividends in the financial year.

The Group achieved a TSR of 29.3%, which outperformed the mean and median of Kerry's peer set in the year. The Group has achieved compound growth of 100% in TSR over the course of the last five years.



TSR is an important indicator of how successful the Group has been in terms of shareholder value creation.

TSR is a performance metric for the long term incentive plan.

Continued consistent delivery with good growth

Marguerite Larkin
Chief Financial Officer

The Group continued to deliver good revenue and trading profit growth in the year against the backdrop of softer market volumes in certain developed markets. This was achieved primarily through consistent volume growth in our Taste & Nutrition business and the contribution from recently acquired businesses, which resulted in good overall adjusted EPS growth in the year.

The Financial Review provides an overview of the Group's financial performance for the year ended 31 December 2019 and the Group's financial position at that date.

The Key Financial Performance Indicators outlined below are used to track business and operational performance and help the Group to drive value creation. The Group has a disciplined financial approach of targeting continued growth while meeting its return on investment objectives. This combination of growth and return help ensure the Group's financial objective of maximising shareholder return is achieved.

A combination of Growth and Return

GROWTH

Group Volume Growth	Group Trading Margin Expansion	Adjusted* EPS Growth Constant Currency
+2.8%	+30bps	+8.3%
Outperforming our market	Group Trading Margin of 12.5%	Basic EPS Growth +4.7%

RETURN

ROACE*	Free Cash Flow	Increased Total Dividend
11.8%	€515m	+12.0%
Reflecting strategic acquisitions and investments	74% conversion[1]	Final dividend of 55.1 cent proposed

Definitions, calculations and reconciliations for these are set out within the Key Performance Indicators section on pages 32-33 and within the Supplementary Information section – Financial Definitions on pages 216-219.

* Before brand related intangible asset amortisation and non-trading items (net of related tax).
[1] Expressed as a percentage of adjusted earnings after tax.

Analysis of Results

	% change	**2019 €'m**	2018 €'m
Revenue	9.6%	**7,241.3**	6,607.6
Trading profit	12.1%	**902.7**	805.6
Trading margin		***12.5%***	*12.2%*
Computer software amortisation		**(26.5)**	(25.0)
Finance costs (net)		**(81.6)**	(67.0)
Adjusted earnings before taxation		**794.6**	713.6
Income taxes (excluding non-trading items)		**(98.6)**	(89.2)
Adjusted earnings after taxation	11.5%	**696.0**	624.4
Brand related intangible asset amortisation		**(37.8)**	(28.8)
Non-trading items (net of related tax)		**(91.7)**	(55.1)
Profit after taxation		**566.5**	540.5
		EPS Cent	EPS Cent
Basic EPS	4.7%	**320.4**	305.9
Brand related intangible asset amortisation		**21.4**	16.3
Non-trading items (net of related tax)		**51.9**	31.2
Adjusted* EPS	11.4%	**393.7**	353.4
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates		-	10.1
Adjusted* EPS in constant currency	**8.3%**	**393.7**	363.5

* Before brand related intangible asset amortisation and non-trading items (net of related tax).

Revenue

Group reported revenue increased by **9.6%** to **€7.2 billion** (2018: €6.6 billion), reflecting volume growth of **2.8%**, flat overall pricing impact, favourable translation currency impact of **2.1%** and contribution from business acquisitions of **4.7%**.

2018: Group reported revenue +3.1%, volume growth +3.5%, pricing (0.5%), transaction currency (0.1%), translation currency (3.4%) and contribution from business acquisitions of +3.6%.

Taste & Nutrition reported revenue increased by **12.5%** to **€6.0 billion** (2018: €5.4 billion), reflecting volume growth of **4.0%**, pricing increase of **0.1%** related to raw material movements, translation currency impact of **2.6%** and contribution from business acquisitions of **5.8%**.

2018: Taste & Nutrition reported revenue +3.7%, volume growth +4.1%, pricing (0.5%), transaction currency (0.1%), translation currency (4.0%), acquisitions +4.2%.

Consumer Foods reported revenue decreased by **2.4%** to **€1.31 billion** (2018: €1.34 billion), reflecting volume decline of **2.2%**, pricing decrease of **0.5%** related to raw material pricing pass-through and market pricing, and positive translation currency impact of **0.3%**. The volume decrease reflects the exit of a ready meals contract during the year - excluding the impact of this contract exit, volume would have increased by **0.9%**.

2018: Consumer Foods reported revenue +0.6%, volume growth +1.1%, pricing (0.4%), transaction currency (0.3%), translation currency (0.6%), acquisitions of +0.8%.

Trading Profit & Margin

Group trading profit increased by **12.1%** to **€902.7m** (2018: €805.6m). Group trading margin increased by **30bps** to **12.5%** driven by portfolio enhancement, operating leverage, efficiencies and the impact of acquisitions, partially offset by investments for growth, Brexit risk management costs and increased Kerryconnect investment due to the commencement of the rollout across our sites in North America.

Trading margin in Taste & Nutrition increased by **20bps** to **15.3%** (2018: 15.1%), driven by portfolio enhancement, operating leverage and efficiencies, partially offset by investments for growth, the impact of acquisitions and Brexit risk management costs.

Trading margin in Consumer Foods increased by **10bps** to **7.6%** (2018: 7.5%), driven by efficiencies from the Realignment Programme which delivered to plan, partially offset by a decrease in operating leverage as a result of the contract exit, Brexit risk management costs and net price in a challenging market.

The trading profit reflects an EBITDA of **€1.1 billion** (2018: €0.9 billion) and an EBITDA margin of **15.1%** (2018: 14.2%).

A comprehensive analysis of the revenue and trading performance of the Taste & Nutrition and Consumer Foods divisions is included in the Business Reviews on pages 42-48.

Computer Software Amortisation

Computer software amortisation increased by **€1.5m** to **€26.5m** (2018: €25.0m) reflecting the ongoing progression of the Kerryconnect Programme including costs associated with the rollout across our sites in North America. The capitalised element of the cost of this project is being amortised over a seven year period.

Brand Related Intangible Asset Amortisation

Brand related intangible asset amortisation increased to **€37.8m** (2018: €28.8m) which is reflective of recent acquisition activity.

Finance Costs (net)

Finance costs (net) for the year increased by **€14.6m** to **€81.6m** (2018: €67.0m) primarily due to acquisition activity and the impact of IFRS 16 'Leases'. The Group's average interest rate for the year was **3.7%** (2018: 3.8%).

Impact of IFRS 16 'Leases'

In January 2019, the Group adopted the new accounting standard IFRS 16 'Leases', which resulted in a **€3.4m** reduction in operating expenses and an increase of **€4.6m** in finance costs on transition.

Taxation

The tax charge for the year before non-trading items was **€98.6m** (2018: €89.2m) representing an effective tax rate of **13.0%** (2018: 13.0%) and is reflective of the geographical mix of earnings.

Acquisitions

During the year, the Group completed eleven acquisitions at a total consideration of **€561.7m**. These investments were aligned to the Group's strategic priorities for growth, bringing additional taste and nutritional technologies, expanding its presence in developing markets and adding to its foodservice offering.

Non-Trading Items

During the year, the Group incurred a non-trading item charge of **€91.7m** (2018: €55.1m) net of tax. The charge in the year related to costs associated with the integration of recent acquisitions, a material transaction process in our sector that we participated in, and the Consumer Foods Realignment Programme. The prior year non-trading charge related primarily to costs associated with the integration of acquisitions and the completion of the Brexit Currency Mitigation Programme.

Adjusted EPS in Constant Currency

Adjusted EPS in constant currency increased by **8.3%** in the year (2018: +8.6%). This was achieved through volume growth ahead of our markets, good margin progression, together with the contribution from the acquired businesses.

Basic EPS

Basic EPS increased by **4.7%** to **320.4 cent** (2018: 305.9 cent). Basic EPS is calculated after accounting for brand related intangible asset amortisation of **21.4 cent** (2018: 16.3 cent) and a non-trading item charge of **51.9 cent** net of related tax (2018: 31.2 cent).

Return on Average Capital Employed

The Group achieved ROACE of **11.8%** (2018: 12.0%) reflective of strategic acquisitions completed and investments made in the year.

Exchange Rates

Group results are impacted by year-on-year fluctuations in exchange rates versus the euro. The average rates below are the principal rates used for the translation of results. The closing rates below are used to translate assets and liabilities at year end.

	Average Rates		Closing Rates	
	2019	2018	**2019**	2018
Australian Dollar	**1.61**	1.58	**1.60**	1.62
Brazilian Real	**4.44**	4.34	**4.53**	4.44
British Pound Sterling	**0.88**	0.89	**0.85**	0.90
Chinese Yuan Renminbi	**7.73**	7.82	**7.82**	7.85
Malaysian Ringgit	**4.65**	4.77	**4.60**	4.74
Mexican Peso	**21.59**	22.72	**21.19**	22.50
Russian Ruble	**72.28**	74.05	**69.34**	79.46
South African Rand	**16.20**	15.89	**15.77**	16.47
US Dollar	**1.12**	1.18	**1.12**	1.14

Dividends

The Board has proposed a final dividend of 55.1 cent per A ordinary share, payable on 15 May 2020 to shareholders registered on the record date of 17 April 2020. When combined with the interim dividend of 23.5 cent per share, the total dividend for the year amounts to 78.6 cent per share (2018: 70.2 cent per share), which is an increase of 12.0% over last year's dividend. The Group's aim is to have double digit dividend growth each year. Over 33 years as a listed company, the Group has grown its dividend at a compound rate of 16.7%.

Balance Sheet

A summary balance sheet as at 31 December is provided below:

	2019 €'m	2018 €'m
Property, plant & equipment	**2,062.9**	1,767.0
Intangible assets	**4,589.7**	4,095.6
Other non-current assets	**179.5**	189.7
Current assets	**2,672.2**	2,271.4
Total assets	**9,504.3**	8,323.7
Current liabilities	**2,014.0**	1,650.8
Non-current liabilities	**2,928.1**	2,638.5
Total liabilities	**4,942.1**	4,289.3
Net assets	**4,562.2**	4,034.4
Shareholders' equity	**4,562.2**	4,034.4

Property, Plant & Equipment

Property, plant and equipment increased by **€295.9m** to **€2,062.9m** (2018: €1,767.0m) primarily due to capital expenditure in the year and the impact of the change in the lease accounting policy, partially offset by the annual depreciation charge. Net capital expenditure in the year amounted to **€315.3m** (2018: €285.5m). The level of capital investment supports the Group's growth initiatives and included upgrading the recently acquired SIAS facility in the Greater Beijing region, continuing the expansion programme at the Nantong facility in China, opening a new facility in Tumkur, India to serve the rapidly expanding South West Asia market and expanding the Group's capabilities in the Middle East region.

Intangible Assets & Acquisitions

Intangible assets increased by **€494.1m** to **€4,589.7m** (2018: €4,095.6m) due to the additions of **€437.7m** relating to the eleven acquisitions completed during the year, the increased investment in Kerryconnect related software and positive foreign exchange movements, partially offset by the annual amortisation charge.

Current Assets

Current assets increased by **€400.8m** to **€2,672.2m** (2018: €2,271.4m), primarily due to an increase in cash on hand at 31 December 2019 and trade receivables, other receivables and inventories from the businesses acquired during the year.

Retirement Benefits

At the balance sheet date, the total net deficit for all defined benefit schemes (after deferred tax) was **€8.6m** (2018: €44.0m). The decrease in the net deficit is primarily driven by strong return on assets and a reduction in the deficit from the liability management programme offsetting unfavourable movements in discount rates. The net deficit expressed as a percentage of market capitalisation at 31 December 2019 was **0.04%** (2018: 0.3%).

Shareholders' Equity

Shareholders' equity increased by **€527.8m** to **€4,562.2m** (2018: €4,034.4m), resulting from profits generated during the year, offset in part by dividends.

A full reconciliation of shareholders' equity is disclosed in the Consolidated Statement of Changes in Equity on page 150.

Capital Structure

The Group finances its operations through a combination of equity and borrowing facilities, including bank borrowings and senior notes from capital markets.

The financing structure of the Group is managed in order to optimise shareholder value while allowing the Group to take advantage of opportunities that might arise to grow the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions from cash flow or borrowings while maintaining its investment grade debt status.

This is managed by setting Net debt to EBITDA targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible between 18 and 24 months; otherwise consideration would be given to issuing additional equity in the Group.

Free Cash Flow

Free cash flow is an important indicator of the strength and quality of the business and of the availability of funds to the Group for reinvestment or for return to the shareholder. In 2019, the Group achieved free cash flow of **€514.6m** (2018: €446.5m).

Free Cash Flow	**2019 €'m**	2018 €'m
Trading profit	**902.7**	805.6
Depreciation (net)	**191.4**	134.1
Movement in average working capital	**(89.5)**	(57.1)
Pension contributions paid less pension expense	**(26.7)**	(40.0)
Cash flow from operations	**977.9**	842.6
Finance costs paid (net)	**(80.8)**	(64.5)
Income taxes paid	**(67.2)**	(46.1)
Purchase of non-current assets	**(315.3)**	(285.5)
Free cash flow	**514.6**	446.5
Cash conversion[1]	**74%**	72%

1 Cash conversion is free cash flow expressed as a percentage of adjusted earnings after tax.

Net Debt

Net debt at the end of the year was **€1,862.8m** (2018: €1,623.5m). The increase during the year is analysed in the table below:

Movement in Net Debt	2019 €'m	2018 €'m
Free cash flow	**514.6**	446.5
Acquisitions (net of disposals) including payments relating to previous acquisitions	**(568.0)**	(503.2)
Difference between average working capital and year end working capital	**25.6**	(21.7)
Non-trading items	**(89.1)**	(59.8)
Equity dividends paid	**(128.3)**	(114.4)
Shares issued during the financial year	**0.1**	-
Exchange translation adjustment	**(2.5)**	0.5
Increase in net debt resulting from cash flows	**(247.6)**	(252.1)
Fair value movement on interest rate swaps	**12.5**	(2.6)
Exchange translation adjustment on net debt	**(4.2)**	(27.1)
Increase in net debt in the year	**(239.3)**	(281.8)
Net debt at beginning of year	(1,623.5)	(1,341.7)
Net debt at end of year	**(1,862.8)**	(1,623.5)

Exchange Impact on Net Debt

The exchange translation adjustment of **€4.2m** results primarily from borrowings denominated in US dollar translated at a year end rate of $1.12 versus a rate of $1.14 in 2018.

Maturity Profile of Net Debt	2019 €'m	2018 €'m
Within 1 year	**409.8**	400.0
Between 1 and 2 years	**(1.2)**	(142.2)
Between 2 and 5 years	**(732.6)**	(1,082.8)
Over 5 years	**(1,538.8)**	(798.5)
Net debt at end of year	**(1,862.8)**	(1,623.5)
Weighted average maturity (years)	**5.9**	4.8

Credit Facilities

Undrawn committed facilities at the end of the year were **€1.1 billion** (2018: €750.0m) while undrawn standby facilities were **€330.0m** (2018: €320.0m).

In June 2019, the Group renewed its **€1.1 billion** revolving credit facility, extending the maturity date to June 2024. The facility contains two 1-year extension options, exercisable on the 1st and 2nd anniversaries of the facility and which, if exercised, would extend the maturity date of the facility to June 2026. In line with the Group's commitment to environmental and social matters, the revolving credit facility carries a price adjustment mechanism, which is linked to the Group meeting or exceeding certain carbon, water and waste efficiency metrics. This facility is not subject to a financial covenant.

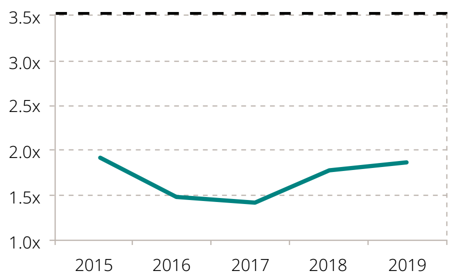
In September 2019, the Group issued 10 year **€750m** euro bond notes. The bonds are listed on Euronext Dublin and are rated by S&P and Moody's. Full details of the Group's financial liabilities, cash at bank and in hand and credit facilities are disclosed in notes 23 and 24 to the Consolidated Financial Statements.

Key Financial Covenants

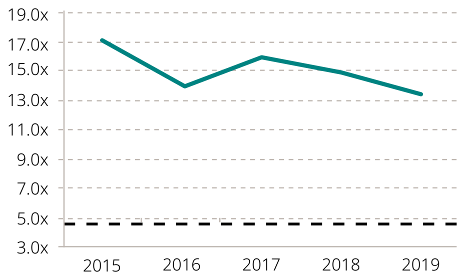
The Group's balance sheet is in a strong position with a Net debt to EBITDA* ratio of 1.8 times. At this ratio the Group has significant liquidity headroom to support future growth plans. A small element of the Group's finance facilities is subject to financial covenants. Group Treasury monitors compliance with all financial convenants and at 31 December the key convenants are as follows:

	Covenant	**2019 Times**	2018 Times
Net debt: EBITDA*	Maximum 3.5	**1.8**	1.7
EBITDA: Net interest	Minimum 4.75	**13.2**	14.7

Net debt: EBITDA*



EBITDA: Net interest*



* Calculated in accordance with lenders' facility agreements which take account of adjustments outlined on page 218.

Share Price and Market Capitalisation

The Company's shares traded in the range **€86.50** to **€117.90** during the year. The share price at 31 December 2019 was **€111.10** (2018: €86.50) giving a market capitalisation of **€19.6 billion** (2018: €15.2 billion). Total Shareholder Return for 2019 was **29.3%** (2018: (6.8%)).

Financial Risk Management

Within the Group risk management framework as described in the Risk Report on page 73, the Group has a Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group does not engage in speculative trading.

Further details relating to the Group's financial and compliance risks and their associated mitigation processes are discussed in the Risk Report on pages 73-88 and in note 24 to the Consolidated Financial Statements.

Summary and Financial Outlook

The Group delivered another strong performance in 2019, generating revenue of **€7.2 billion**, trading profit of **€903m** and free cash flow of **€515m** in a dynamic consumer marketplace that is leading to a rapidly evolving industry landscape. At year end the balance sheet is also in a good position and with a Net debt: EBITDA ratio of **1.8 times**, the Group has significant headroom to support the future growth plans of the organisation.

The Group will continue to invest for growth aligned to the changing market landscape and pursue M&A opportunities aligned to our strategic growth priorities.

A strong history of positive results

	2010 €'m	2011 €'m	**2012 €'m	2013 €'m	2014 €'m	2015 €'m	2016 €'m	2017 €'m	2018 €'m	**2019 €'m**
Revenue	4,960.0	5,302.2	5,848.3	5,836.7	5,756.6	6,104.9	6,130.6	6,407.9	6,607.6	**7,241.3**
Trading profit	470.2	500.5	559.0	611.4	636.4	700.1	749.6	781.3	805.6	**902.7**
Computer software amortisation	(4.3)	(5.4)	(8.7)	(11.5)	(13.6)	(18.7)	(23.4)	(24.3)	(25.0)	**(26.5)**
Finance costs (net)	(60.5)	(46.0)	(62.1)	(67.6)	(52.9)	(69.3)	(70.4)	(65.6)	(67.0)	**(81.6)**
Adjusted earnings before taxation*	405.4	449.1	488.2	532.3	569.9	612.1	655.8	691.4	713.6	**794.6**
Income taxes (excluding non-trading items)	(68.7)	(74.6)	(77.3)	(79.1)	(79.6)	(81.1)	(86.7)	(89.5)	(89.2)	**(98.6)**
Adjusted earnings after taxation*	336.7	374.5	410.9	453.2	490.3	531.0	569.1	601.9	624.4	**696.0**
Brand related intangible asset amortisation	(11.8)	(13.9)	(14.7)	(16.6)	(14.4)	(18.7)	(23.0)	(23.6)	(28.8)	**(37.8)**
Non-trading items (net of related tax)	(0.7)	0.1	(135.5)	(352.2)	4.0	13.1	(13.0)	10.2	(55.1)	**(91.7)**
Profit after taxation attributable to owners of the parent	324.2	360.7	260.7	84.4	479.9	525.4	533.1	588.5	540.5	**566.5**
Adjusted EPS (cent)*	192.1	213.4	234.0	257.9	278.9	301.9	323.4	341.2	353.4	**393.7**

* Adjusted EPS, adjusted earnings before taxation and adjusted earnings after taxation are calculated before brand related intangible asset amortisation and non-trading items (net of related tax) and are considered more reflective of the Group's underlying trading performance. Growth in Adjusted EPS on a constant currency basis is disclosed on page 217.

** 2012 was restated in line with IAS 19 (2011) 'Employee Benefits' which was adopted as required by IFRS in 2013. All other years are presented as reported.

Taste & Nutrition

Kerry is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical markets. Our broad technology foundation, customer-centric business model, and industry-leading integrated solutions capability make Kerry the co-creation partner of choice.

Revenue

2019
€6,018m

Volume Growth
4.0%

Trading Margin

2019
15.3%

Margin Expansion
+20bps

- Volume growth driven by Beverage and Food End Use Markets (EUMs) – led by Meat and Snacks
- Pricing 0.1% – reflecting broadly neutral raw material costs in the period
- Trading margin +20bps – key drivers were enhanced product mix, operating leverage and efficiencies, partially offset by investments for growth and Brexit risk management costs

Reported revenue increased by 12.5%, reflecting volume growth of 4.0%, pricing of 0.1%, favourable translation currency impact of 2.6% and contribution from business acquisitions of 5.8%.

This performance included the recent acquisitions of Fleischmann's (FVC) business, Southeastern Mills (SEM) and Ariake U.S.A., Inc. Trading profit grew by 14.1% to €918.5m, reflecting a 20 basis point improvement in trading margin to 15.3%.

Developing markets delivered strong volume growth of 10.0%, with APMEA developing markets being the main driver. Key drivers of growth were localisation, regulatory changes, food safety, convenience and home delivery, which drove increased new product development. Foodservice performed well, with volume growth of 5.5% despite some softness in the North American market.

Kerry's nutrition and wellbeing technology portfolio had a strong performance, as Kerry further evolved its position as the industry-leading nutrition and wellness partner across Beverage and Food EUMs, particularly in Meat and Snacks. Demand for great tasting products with improved nutritional attributes continued to accelerate across the globe. Our unique taste and nutrition positioning, food science expertise and deep understanding of the intersection of taste and nutrition were key drivers of increased innovation across a wide range of applications. This led to good sales growth in solutions incorporating Kerry's fermented ingredients, broad speciality protein portfolio, probiotics, TasteSense™, botanicals and natural extracts.

Americas Region

- 2.7% volume growth
- Solid performance in North America led by Food EUMs of Meat and Snacks
- LATAM performed well

Reported revenue in the region increased by 16.5% to €3,198m, reflecting 2.7% volume growth, 0.2% increase in net pricing, favourable translation currency impact of 4.4% and contribution from business acquisitions of 9.2%. North America delivered good volume growth against a backdrop of softer market volume growth rates.

Within the Food EUMs, Kerry's Meat sub-EUM delivered strong growth, with plant-based offerings in particular delivering an excellent performance, as customers continue to seek innovative solutions to meet the consumer demand for cleaner label and next generation offerings. This performance was complemented by the acquisition of the coatings and seasonings business of Southeastern Mills (SEM) which performed very well.

The Snacks sub-EUM delivered good growth, as Kerry's integrated solutions capability was key to a number of successful customer launches addressing consumer demands for new world taste and healthier snacking experiences. The Cereal & Sweet sub-EUM remained challenged and the Meals sub-EUM was impacted by churn within the category. The Dairy sub-EUM benefitted from the ongoing evolution of the ice cream category towards healthy indulgence and added wellness benefits.

While the Beverage EUMs were impacted by subdued market volume growth in Foodservice, there were a number of plant-based beverage launches and innovations utilising Ganeden® probiotics, contributing to a good finish to the year.

LATAM performed well with good growth in Brazil and Mexico, and a solid performance in Central America. The Beverage EUM delivered strong growth across the region, with particularly good growth in the ice cream category in Brazil and the Snacks sub-EUM in Mexico.

The global Pharma EUMs had a good performance, led by strong growth in excipients in North America.

Good progress was made on the integration of Fleischmann's (FVC) business and Ariake U.S.A., Inc, and both performed well. These were complemented by the acquisitions of Isoage Technologies, Biosecur Lab and Diana Food (Georgia, USA), further enhancing Kerry's leading authentic taste and clean label technology portfolio, which the Group plans to leverage in meeting the increasing demand across a broader range of applications.

Europe Region

- 2.0% volume growth
- Good performance in Beverage and Foods EUMs of Meat and Snacks
- Foodservice performed well across the region

Reported revenue in the region increased by 2.4% to €1,456m, reflecting 2.0% volume growth, 0.1% increase in net pricing, favourable translation currency impact of 0.1% and contribution from business acquisitions of 0.2%. This represented a good overall performance versus the marketplace, with Kerry's performance in the Foodservice channel contributing strongly to growth in the region.

Kerry's Beverage EUMs achieved strong broad-based growth across a number of sub-categories from low/non-alcoholic beverage, tea and coffee to plant-based offerings. There was a strong performance within Foodservice, as customers enhanced their beverage offerings across their menus, with a number of better-for-you and seasonal product launches incorporating Kerry's botanicals, natural extracts and sugar reduction technologies.

Within the Food EUMs, Kerry's Meat sub-EUM performed very well, with its industry-leading portfolio deployed to create solutions which met a variety of customer and consumer needs.

Strong growth and very good business development were achieved in plant-based meat alternatives, supported by the launch of the Radicle™ portfolio.

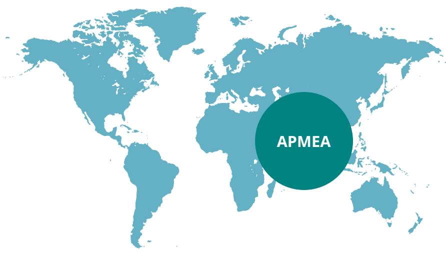
The Snacks sub-EUM performed well, with a number of new authentic world taste launches and healthy snack products incorporating Kerry's Ganeden® probiotics. The Confectionery sub-EUM achieved good growth through a number of local novel taste LTOs across the region.

The Dairy EUM was impacted by softer demand in the ice cream category during the period. International dairy markets were relatively stable in the period, reflecting less volatility in global supply/demand dynamics.

Russia and Eastern Europe delivered good growth, as we continue to develop our presence and offering across the region. The Group also completed the acquisition of Pevesa Biotech – a specialist plant protein isolates and hydrolysates business based in Spain and serving key nutrition applications.

APMEA Region

- 10.3% volume growth
- Strong growth right across all Food and Beverage EUMs
- Good progress in strategic expansion and business development



Reported revenue in the region increased by 16.2% to €1,285m, reflecting 10.3% volume growth, 0.1% increase in net pricing, 0.1% favourable transaction currency impact, 0.6% favourable translation currency impact and contribution from business acquisitions of 5.1%. Key to the strong growth in the region was the further deployment of Kerry's business model with customers across existing and new markets. This approach was key in supporting our customers as they meet evolving local consumer demands.

Within the Food EUMs, Kerry's Meat sub-EUM delivered excellent growth with both global and regional customers, particularly in China and South East Asia, with a range of innovations meeting key consumer preferences for premium local authentic taste and a superior home delivery experience.

The Snacks sub-EUM delivered strong growth, particularly with savoury taste innovations that meet local consumer preferences.

Kerry's Beverage EUMs delivered strong growth underpinned by a number of successful launches in refreshing beverages with enhanced wellness and functional benefits. The branded DaVinci range enjoyed strong growth across the year.

We continued to make good progress in expanding our capacity and deploying our technology capabilities in the region. Our strategic expansion in China progressed well, as we upgraded the recently acquired SIAS facility to serve our customers in the Greater Beijing region, and continued the expansion programme at our Nantong facility. In June, the Group opened a new facility in Tumkur, India, which will serve our rapidly expanding South West Asia market. Further to the acquisition of AATCO at the end of 2018, the Group invested in expanding its capabilities in the Middle East region.

Consumer Foods

Kerry Foods is an industry-leading manufacturer of chilled food products primarily to the Irish and UK markets.

Revenue

2019

€1,307m

Volume Growth

-2.2% (+0.9)%[1]

Trading Margin

2019

7.6%

Margin Expansion

+10bps

[1] volume growth excluding contract exit

- Overall volume performance impacted by ready meals contract exit
- Pricing of -0.5% reflective of lower input costs and market pricing
- Trading margin – strong efficiencies partially offset by pricing and Brexit risk management costs

Reported revenue decreased by 2.4% to €1,307m, reflecting a 2.2% reduction in volumes, a 0.5% decrease in net pricing, and a favourable translation currency impact of 0.3%. Excluding the impact of the previously reported ready meals contract exit, Kerry delivered a robust performance in the context of a subdued UK marketplace, where lower consumer confidence impacted overall market volumes. The divisional trading margin increased by 10bps to 7.6%. Trading profit decreased by 1.2% to €98.9m in the year. The Realignment Programme was completed during the year and delivered to plan.

The Richmond brand chilled sausage range delivered a solid performance led by growth in chicken sausages and the new plant-based sausage, which was launched at the end of September, along with a range of meat-free products under the Naked Glory brand.

The Denny brand in Ireland performed well. A number of business wins supported our overall performance within spreads.

Chilled meals continued to be impacted by reduced promotional activity, while frozen meals had a good performance across the range. As previously announced, production ceased in the ready meals facility in Burton in September and the site was sold prior to the year end.

The Cheestrings brand was supported by a number of innovations. Fridge Raiders also extended its snacking range to reach a broader consumer market.

Securing Sustainable Growth

Edmond Scanlon
Chief Executive Officer

As a leader in the food and beverage industry, we understand the challenges that confront the industry and their impact on the current food production systems, knowing that our shared success is dependent on our ability to respond to these challenges quickly and effectively.

In 2019, we witnessed a groundswell of support for climate action and we continue to see this translate into consumer sentiment which places clear demands on industry and on companies such as ours. Given our Purpose of inspiring food and nourishing life, our world class science and our innovation capabilities, Kerry is ideally positioned and is fully committed to playing a leading role in this new food future. We co-create solutions with our customers, helping them produce better food in a better way for a better future, and our leading portfolio of taste and nutrition solutions are consumed by millions of consumers every day.

We continue to address our own impacts and at the conclusion of our Towards 2020 Sustainability Programme, I am proud of the progress we have made to date. Since 2015, we have consistently reduced the environmental impact of our operations, exceeding our key targets on emissions, water and waste. We continue to work with suppliers to help them on their journey, whether they are vanilla farmers in Madagascar or dairy farmers in South West Ireland, understanding that collaborations and partnerships are key to our sustainable future.

We also continuously strive for better in our workplace, improving safety, fostering diversity and inclusion and ensuring our people continue to share in our success. In external communities, we are making a positive impact to the lives of those beyond our direct reach and through partnerships with the World Food Programme and Concern Worldwide, we are focusing on interventions that will make a lasting impact on people who are most in need.

As we enter a new decade, we understand the increased responsibility to co-create with our customers, better, more natural, healthier and nutritious food and beverage solutions to meet the world's food needs in a more effective and environmentally sustainable way. In 2019, we commenced a process to develop and integrate a new, more ambitious sustainability programme to better position us to meet this increased responsibility. The programme, which will be launched in 2020, will outline our new targets, as we look forward to partnering with others in the co-creation of a better food future, one in which we continue to fulfil our Purpose of inspiring food and nourishing life.

Key Highlights

Research, Development & Application
Industry-leading investment

€291.4m

TOWARDS 2020 SUSTAINABILITY PILLARS

Environmental sustainability

Marketplace sustainability

Workplace sustainability

Community sustainability

Reduction in waste intensity
Versus 2013 base year

31%

Reduction in carbon intensity
Versus 2013 base year

23%

Reduction in waste to landfill
Versus 2013 base year

41%

Sustainable funding arranged
ESG linked revolving credit facility

€1.1bn

Employee participation in The Kerry Way workshops

90%

Photo: Farmers in the village of Sabon Kalgo with their first crop of short season millet.
Photographer: Darren Vaughan/ Concern Worldwide

RAIN Programme
Farmers trained on conservation agriculture

1,000+

Photo: WFP/Boone Rodriguez

Project Leche
Honduran teachers trained on nutrition

190

Noon Foundation
People accessing improved healthcare

>38,000

Food Safety
Sites with GFSI certification

100%

Workplace Audits
Across manufacturing sites

>90%

Health & Safety
Reduction in recordable incidents

17%

Note: Non-financial KPIs excludes the impact from recently completed acquisitions.

Non-Financial Reporting Statement

We comply with regulations on non-financial reporting and provide information on required topics across this report. Relevant information on each topic can be found below.

Reporting Requirements	Our Policies	Page Reference
Environmental Matters	Environmental Policy	Page 55
Social and Employee Matters	Health & Safety Policy; Group Code of Conduct; Diversity, Inclusion & Belonging Policy; Employee Concerns Disclosure Policy	Pages 20 and 65-66
Respect for Human Rights	Human Rights Policy	Page 66
Anti-bribery and Corruption	Anti-Bribery Policy; Group Code of Conduct	Page 65
Business Model		Pages 24-25
Non-financial KPIs		Pages 50-51 and 55-70

Given the growing global awareness of environmental challenges such as climate change, loss of biodiversity, pollution and waste, the way in which we produce and consume food is increasingly under scrutiny. With a projected world population of almost 10 billion people by 2050, producing enough food in a sustainable manner to meet growing demand represents both an opportunity and a significant challenge for our industry.

The current food system has a substantial environmental and social impact. Food production accounts for nearly a quarter of all greenhouse gas emissions while agriculture uses 70% of fresh water, and is a leading cause of deforestation and biodiversity loss. Current diet and lifestyle choices are also a leading contributor to disease. According to the World Health Organisation, what we eat, and drink is now the second highest risk factor for early death, making what we produce and how we produce it critical considerations for the Group.

Our Approach

Kerry's objective is to integrate sustainability into all aspects of our business. Our efforts are focused on the most material issues for Kerry and its stakeholders. We examine the ways in which we can reduce our adverse impacts and identify where our skills and expertise can make a positive difference.

Since 2009, we have been formally measuring and reporting on our impacts and in 2019, we concluded the five year Towards 2020 Programme. Building on the success of previous initiatives, this programme involved a comprehensive set of actions spanning our direct operations and broader value chain. Structured around four pillars; Environment, Marketplace, Workplace and Community, the Towards 2020 Programme set measurable targets for improvement over time. Since 2015, delivery against these targets has helped us to enhance the lives of the people who create and consume our products, connect us with our communities and protect the natural environment that surrounds us.

As we move forward, our approach is evolving to better enable our Purpose and reflect the systemic nature of the sustainability challenges we face. While our objective of creating healthier, more sustainable diets will remain unchanged, a shift in emphasis to key themes will help us to address challenges more holistically and in a way that better equips us to tackle the interdependencies between many of our material aspects. Details of this new programme will be launched in the second quarter of 2020.

Towards 2020 and the UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) provide a globally accepted roadmap for addressing many of the most urgent global economic, environmental and social challenges. Agreed at international level in September 2015, the achievement of these 17 goals by 2030 requires broad participation and creates a key role for businesses in delivering solutions that can help meet these challenges.

As a world leader in the food and beverage industry, our most significant contribution to the SDGs will come through enabling our customers to improve the healthfulness and nutritional value of their products in a way that does not compromise the environment, the rights of others or the long term effectiveness of our business.

We will continue to be successful, while playing a positive role in the broader sustainable development agenda through purposeful business action and throughout this review, we highlight the SDGs we impact on under each pillar. While we touch on many of the goals, SDGs 2, 3 and 12 have particular strategic relevance for our business and we see the greatest potential for positive impact and opportunity in helping meet these goals.

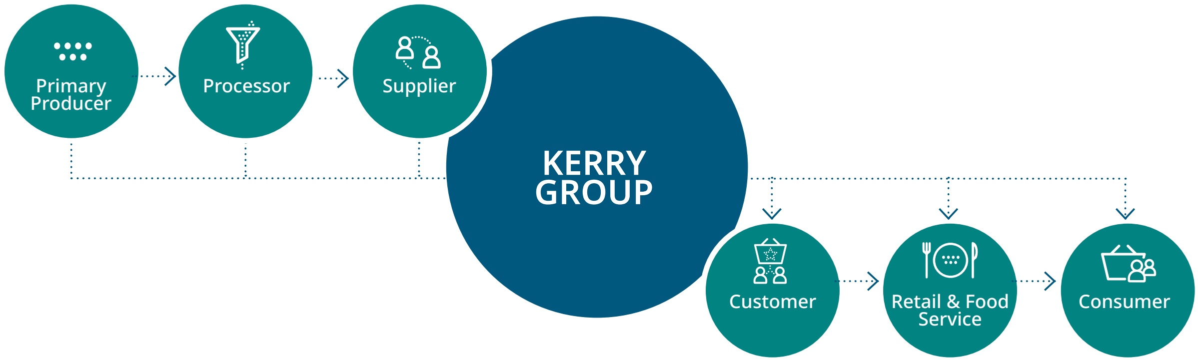
SUSTAINABLE DEVELOPMENT GOALS

Goal 2:
Zero Hunger
Our capabilities support the development of cost effective, healthier and more nutritious food. We also support sustainable agricultural production and greater food security through our responsible sourcing and community development programmes.

Goal 3:
Good Health and Wellbeing
Diet is a leading factor in the proliferation of non-communicable disease and at Kerry, our technologies and expertise support customers in the development of healthier products that can make a positive impact on the wellbeing of consumers.

Goal 12:
Responsible Consumption & Production
With an increasing population and a tension between food production and environmental protection, we are committed to sustainable sourcing and production across our operations. Our solutions can also support our customers in the development of more sustainable consumer products.

Our Value Chain



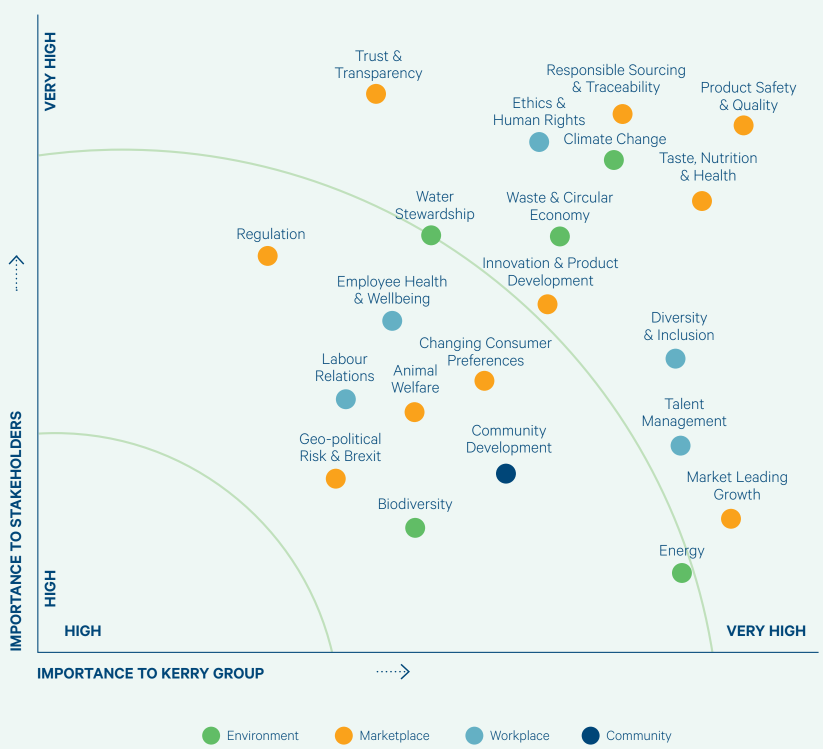
Materiality

Our approach to sustainability is centered on addressing and reporting on the most material issues for Kerry and its stakeholders. In 2018, we undertook a comprehensive review of material topics to ensure that our Towards 2020 Programme continued to focus on the right aspects and also to inform the development of our 2030 agenda. The outputs of this assessment which identified the most material matters to Kerry and our stakeholders are outlined on this page.

Following on from the materiality assessment in 2018, we continued to engage with key stakeholders to address the critical areas of importance. Further feedback received through ongoing engagement has reinforced the outcome of the materiality assessment, albeit, we continue to see an acceleration in areas such as transparency, climate and waste.

The topics covered in this report are designed to reflect material topics of importance to Kerry and our stakeholders. All of these topics are reviewed as part of the broader risk assessment process, and while risks such as climate change continue to emerge within the overall risk register, they are currently not considered to be principal risks for the Group. Further details on the Group's principal risks are outlined in the Risk Report on pages 75-87. We will continue to keep these topics under review, particularly with respect to organisational changes and emerging themes.

Material Matters of Importance to Kerry and our Stakeholders



Stakeholder Engagement

We understand the importance of stakeholder engagement. The pace of change and the nature of the challenges facing our industry require shared understanding and a common approach to the path forward. Kerry is committed to ongoing and constructive engagement with our stakeholders and through a two-way engagement process, we incorporate their views into our business activities.

Through a process of stakeholder analysis, we clearly identify those groups we impact on, as well as those groups that can influence and impact on Kerry, and we engage our key stakeholder groups and relevant third parties to help achieve our broader goals. In addition to the ongoing direct engagement with key stakeholders in 2019, we also participated in a number of collaborative projects, details of which are laid out in this report. Additionally, Kerry is a member of numerous trade organisations and multi-stakeholder platforms, through which we regularly engage with stakeholders and interested groups on key topics.

Among our key stakeholders are employees, shareholders, communities, customers, consumers, government and suppliers. We understand that among and within these groups, there can be different and sometimes conflicting views. As part of our engagement we seek to balance these competing stakeholder interests and respond in a way that maximises the value for all those connected with the organisation.

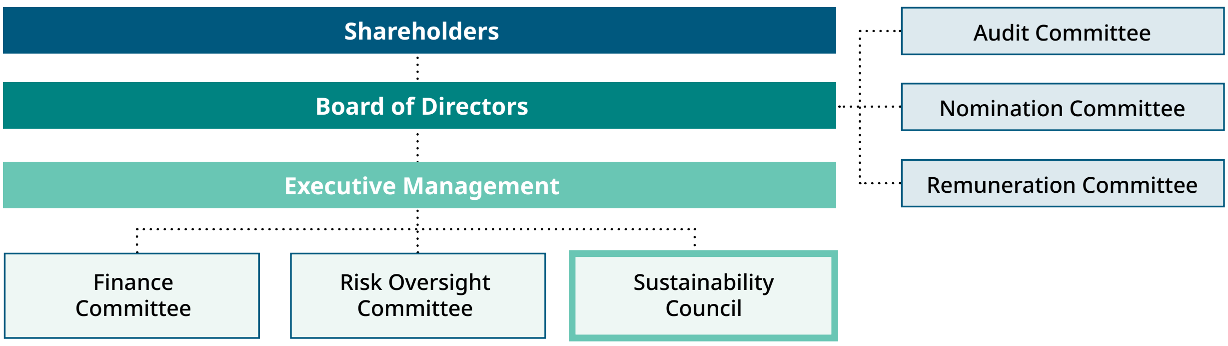
Stakeholder Groups

We use a variety of channels to support the engagement process, many of which are tailored for specific stakeholder groups. Our ability to demonstrate a robust engagement process is a core part of our independent AA1000 Assurance Standard accreditation and throughout this report we provide examples of how we engage and work with the stakeholders outlined above. Details of how we create value for our stakeholders is outlined in the Business Model on pages 24-25.

Governance

The Group's Sustainability Council was established under delegation from the Board of Directors. Its membership includes functional leadership from across the Group and its role includes the assessment of sustainability risks and opportunities, determining how best these can be addressed, and appraisal of ongoing Group performance versus our stated targets.

In 2019, the membership of the Council was revised to include Executive Directors and members of the Executive Committee. This senior management team was closely involved in guiding the development of a new sustainability programme and has responsibility for its integration within the broader business. Chaired by the Group's Head of Sustainability, the Council continues to report at least annually to the Board.



Following the 2018 UN IPCC Special Report which emphasises the need for urgent action, 2019 was a seminal year for climate change, as global awareness increased, and the conversation shifted from the need for action to the more difficult discussions on what form that action should take.

Environment

At Kerry, we are mindful of our impact on the environment and recognise the fundamental importance of a healthy ecosystem for our shared future. In the creation of our products, Kerry's operations impact the environment and our ability to successfully reduce this impact and address these environmental challenges is an essential part of retaining our licence to operate. As a business we think long term, innovating to ensure we continue nourishing consumers while lowering our impact on the planet and communities in which we operate. We aim to minimise our footprint in accordance with the Group's Environmental Policy. This policy commits us to carrying out our activities in a responsible manner, complying with all applicable legislation, implementing good environmental practice and continuously improving performance.

Kerry has a comprehensive monitoring and reporting framework in place across all sites and performance is under ongoing review by relevant functions and the Group's Sustainability Council. We integrate environmental considerations throughout our business and in June 2019, the Group amended its €1.1 billion revolving credit facility which incorporated a margin adjustment linked to the achievement of certain environmental metrics.

Kerry is proud of the strong performance on environmental stewardship in 2019 and the successful completion of our Towards 2020 Programme. In many cases we have exceeded key environmental targets. We continue to pursue independent certification of best practice, with 86% of eligible sites certified under ISO 14001 and key energy users accredited under ISO 50001. We recognise that the conclusion of the Towards 2020 Programme is not an end point. Instead, it provides a platform for a new approach that reflects the best available science and responds to the urgent need for action.

Reducing Emissions

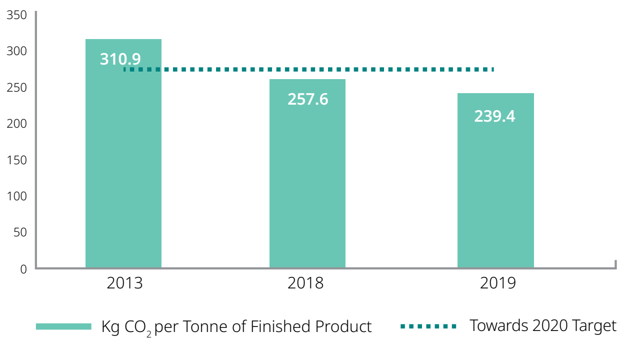
Industrial emissions are a key contributor to climate change, and we are conscious that increasingly stark warnings around the need for greater action cannot be ignored. Climate change represents both risk and opportunity for our business. Potential risks include an accelerating shift in customer and consumer preferences, disruption to operations and supply chains as well as regulatory and policy responses to meet international commitments under the Paris Accord. We believe that in tackling our emissions, Kerry can support the transition to a greener economy and capture further growth through the provision of lower carbon solutions.

Our Environmental activities contribute to the achievement of the following UN Sustainable Development Goals.

As part of our ongoing efforts on climate, we track and report our impact. In 2015, we set a target for a further 13% reduction in carbon intensity across Scope 1 emissions (direct from energy generation) and Scope 2 emissions (indirect from purchased electricity and heat) by 2020. In 2018 we were delighted to surpass that target and are pleased to report that in 2019, we continued to reduce emissions so that over the course of our Towards 2020 Programme, total carbon intensity fell by 23% versus our 2013 base year.

We measure and report performance for sites within our operational control in accordance with the Greenhouse Gas (GHG) Protocol and our data is independently assured to AA1000 Assurance Standard (2008). We note the recommendations of the Task Force on Climate Related Financial Disclosures and continue to integrate these into our broader reporting framework.

Annual Carbon Intensity



Notes:
1. Our measurement and target performance of Scope 1 and 2 emissions from our manufacturing facilities. This accounts for 98% of Kerry's Scope 1 and 2 emissions.
2. The GHG Protocol sets the global standard for how to measure, manage and report greenhouse gas emissions.
3. Kerry's actual performance has been adjusted to reflect like-for-like performance compared to our baseline year. We use the NOVEM Methodology for carbon reporting to adjust our baseline target reduction number in order to account for changes to product mix that have had a material effect on carbon intensity.

Summary Assurance Statement

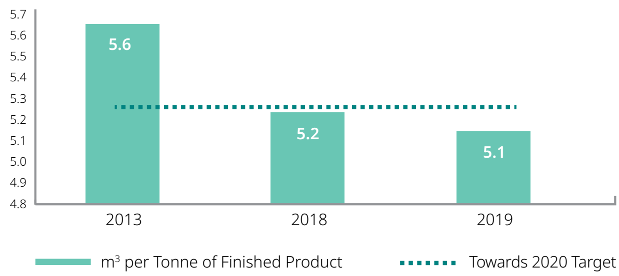
Environmental consultants, Jacobs, have assured Kerry's greenhouse gas performance data (Scope 1 and Scope 2 emissions and selected Scope 3 emissions) as well as water withdrawal and discharge data from its manufacturing facilities for 2019 in accordance with AA1000AS (2008). Jacobs evaluated the systems and processes used to collate and report the greenhouse gas, water withdrawal and water discharge performance data. Jacobs has been able to obtain a moderate level of assurance for the data reported in the Group Annual Report 2019.

Using Water Efficiently

Water is essential to the ongoing operation of our business and we rely on the availability of sufficient quantities of clean, fresh water to produce our products. From raw materials through to maintaining product safety and quality, water is a critical ingredient for our future success. Currently over two billion people live in countries experiencing high water stress and this is likely to increase as populations and their demands for water grow, and the effects of climate change intensify (UN World Water Development Report 2019).

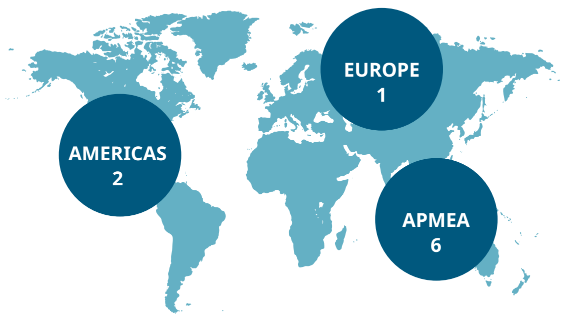
With increasing pressure on this shared resource, we are aware of the importance of protecting water sources and using water as efficiently as possible. We ensure that we protect natural water sources by meeting all requirements relating to waste water from our sites and aim to reduce the amount of water we use by 7%, versus a 2013 baseline. We have a water reduction target at each site across the Group and continuously look for ways to conserve and reuse our water volumes. In 2019, we exceeded our target with a 9% reduction in water intensity, delivering on our Towards 2020 goal.

Annual Water Intensity

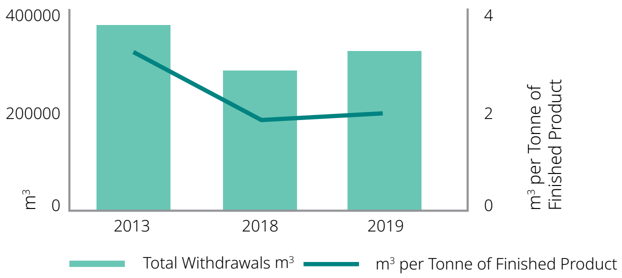


Against the backdrop of rising water demand, we continue to view our water footprint within the broader context of global water risk. Given the uneven distribution of water resources, some of our locations are potentially more vulnerable to physical water risk. To help determine how increasing competition for scarce water resources may impact Kerry, we use the World Resources Institute's Aqueduct Tool to help in our assessment.

Location of Priority Water Sites



Water Use at Priority Sites



Using this tool, we have identified nine locations globally as priority water sites. We carefully monitor water usage at these facilities and our efficiency across these locations significantly exceeds that for the Group. In 2019, total water withdrawals across the nine sites was 15% lower than our 2013 base year as outlined in the graph above, although we have seen some increases in water withdrawals at a number of these sites, driven primarily by changes to product mix.

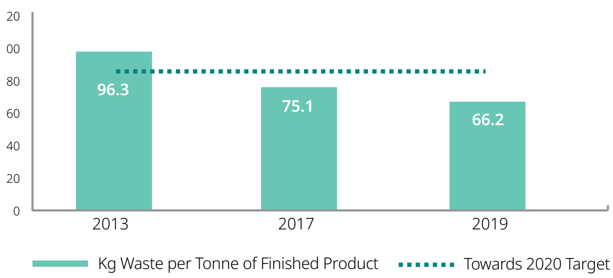
Generating Less Waste

With population growth and rising levels of income putting increasing pressure on natural resources, the current linear system of production, consumption and disposal is increasingly unsustainable. Growing demand for raw materials coupled with the impacts from waste provide a clear imperative for shifting to a more circular economy.

Our priority is to generate less waste and our Towards 2020 Programme set a target of a 12% reduction in waste intensity by 2020 versus a 2013 base year. In 2017, we surpassed that target and in 2019 we continued this momentum, achieving a 31% reduction in waste intensity versus our 2013 base year.

In 2020, we will continue to focus on more efficient use of resources and will seek alternative uses for our waste.

Annual Waste Intensity

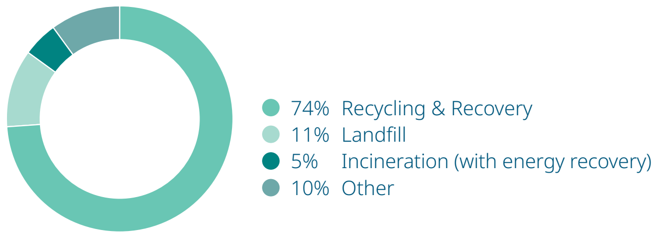


Zero Waste to Landfill

Across our sites, we continue to focus on reducing, reusing and recycling our waste streams. Under the Towards 2020 Programme, we targeted the goal of zero waste to landfill and while we still have some work to do to reach this milestone, we have reduced landfill volumes by 41% versus our 2013 baseline and 89%[1] of our waste volumes are currently diverted[2].

Less than 1% of our total waste volumes are categorised as hazardous waste, the majority of which is recycled. For non-hazardous waste streams, we are finding ways to reuse these resources.

2019 Waste by Disposal Method



Food Waste

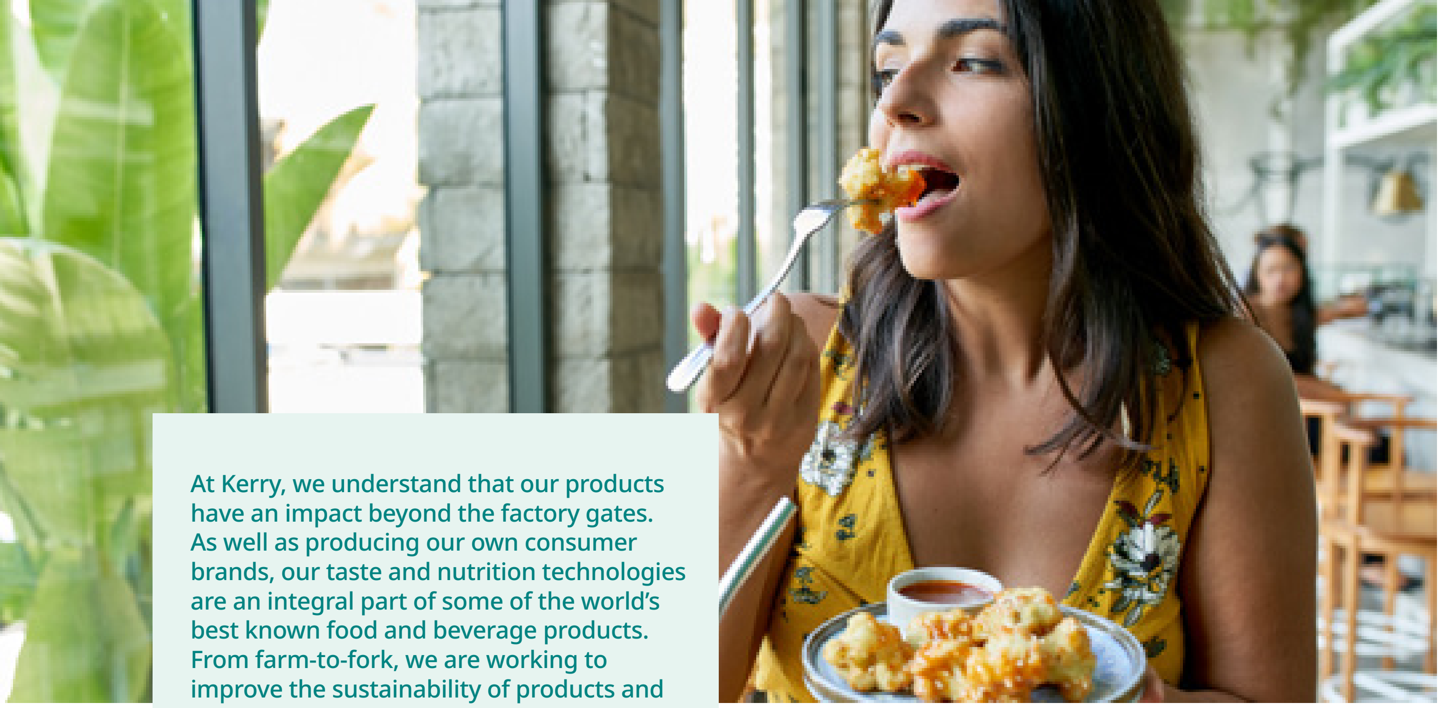
A critical lever in the reduction of the environmental impacts of food production and consumption is tackling food waste. Estimates suggesting that a third of all food is lost or wasted, while 821 million people go hungry, are indicative of a clear failing within the current food system. Target 12.3 of UN Sustainable Development Goal 12, 'Responsible Production and Consumption', requires a 50% reduction in world food waste by 2030. As a supporter of the global Champions 12.3 initiative through Kerry Foods, we have published food waste data for this business for the second time in 2019, showing we remain on track to meet this 50% target. In 2020, we will extend this goal on food waste beyond our Consumer Foods business and work towards a 50% reduction across the wider Group.

Plastic Packaging

Our Consumer Foods business places plastic packaging directly onto the consumer market. In 2018, Kerry Foods joined the UK Plastics Pact, adopting a target for 100% of its plastic packaging to be reusable, recyclable or compostable by 2025. In 2019, work has continued to deliver on these goals with numerous projects across the division. One project involved the removal of non-recyclable black CPET trays from 70 million ready-to-eat meals. This first-to-market solution uses trays that are fully recyclable, detectable and recoverable in the UK recycling system and contain 85% post consumer recycled content.

1 This is a relative measure of waste to landfill as a percentage of total waste. The decrease of 1% versus our performance in 2018 (90%), is due to reductions in our total waste volumes. Actual volumes sent to landfill continued to decline in 2019.

2 Waste to landfill volumes include waste sent for incineration without energy recovery.

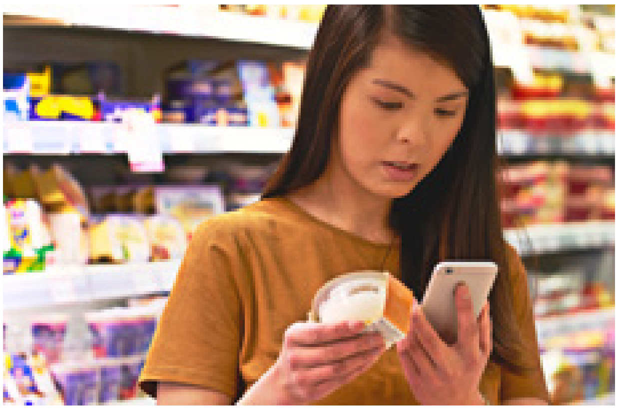


At Kerry, we understand that our products have an impact beyond the factory gates. As well as producing our own consumer brands, our taste and nutrition technologies are an integral part of some of the world's best known food and beverage products. From farm-to-fork, we are working to improve the sustainability of products and partnering with those who share our Values.

Marketplace

Increasingly, consumers want to know what is in their food and a heightened demand for transparency in ingredient production and the implications for people and the planet are resulting in a new dynamic. At Kerry we are ideally positioned to support our customers in adapting to this industry shift.

Our farm-to-fork approach and understanding of the nutritional impacts for the end consumer, coupled with our unrivalled innovation capabilities, enables us to co-create with our customers and partners, solutions that are natural, nutritious and more sustainable.



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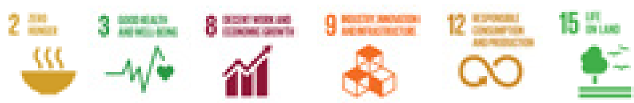
Taste & Nutrition Business Review pages 42-46

Consumer Foods Business Review pages 47-48

150+
Sales in 150+ countries

18,000+
Products

Our Marketplace activities contribute to the achievement of the following UN Sustainable Development Goals.



Health & Nutrition

Non-communicable diseases (NCDs), including heart disease, cancer and diabetes, are leading causes of mortality. What the World Health Organisation term an 'invisible epidemic' is responsible for over 70% of global deaths. Unhealthy diets have been identified as a primary risk factor associated with NCDs and with over two billion people overweight or obese, it is increasingly clear that the current food system plays a significant role in the proliferation of these chronic conditions.

As consumers become increasingly aware of the link between diet and health, demand continues to rise for products that are natural and which consumers can trust to maintain and enhance their wellbeing. As the world's leading Taste & Nutrition company, we are ideally placed to support our customers in the development of healthier, clean label product offerings that meet these changing consumer expectations, while continuing to deliver great taste through new and exciting flavours.

Clean Label

Replace Reduce Remove Re-position Reinvent

We have the industry's leading portfolio of taste and nutrition technologies and our product development and innovation work brings together Kerry's unrivalled global capabilities to develop market leading solutions based on local needs and taste preferences. Uniquely, almost 90% of our portfolio is naturally derived and we continue to maintain our focus on developing solutions that come 'from-food-for-food'. We lead the industry with our investment in Research, Development and Application.

€291.4m

Investment in R&D

In 2019, we invested a further €291.4m in this area to ensure we continue to shape the future of food. For more see Our Markets pages 26-27.

We work collaboratively to support Kerry's leadership position and are engaged with external centres of expertise, through which we share and acquire new knowledge. The Kerry Health and Nutrition Institute (KHNI) has established itself as a leading source of thought leadership in the area of diet and health. In 2019, KHNI published over 70 pieces of content and continued its highly successful webinar series, engaging the industry on topics including, clean label, sugar reduction, plant protein and much more. See khni.kerry.com for more details.

Kerry Foods' Better-for-You Programme

Within our Consumer Foods division, we continue to drive positive change in the nutritional profiles of our brands without compromising on taste. We are committed to drive reductions in salt, sugar and calories in line with targets from both UK and Irish governments. We introduced our Richmond lower salt frozen sausages, Richmond chicken sausages with lower salt and fat, and Richmond meat-free sausages that are also lower in salt and fat content. Additionally, we have continuous improvement programmes across all our brands to drive further reductions in 2020 and 2021.

Creating Sustainable Solutions

Food Waste

Kerry improves the shelf life and safety of natural foods that traditionally use no preservatives, and replaces chemical ingredients used for maintaining shelf life which are being rejected by health conscious consumers. We replace these with more sustainable, plant-based ingredients, naturally derived from fermentation and that have a lower environmental impact. In addition, the technology can facilitate more centralised manufacturing, allowing for broader distribution channels so that food is not damaged during extended transit times and can safely handle fluctuating storage conditions.

Plant Protein

The global plant-based food market value is estimated to reach approximately USD$24.3 billion by 2026 as the flexitarian movement continues to grow. To support our customers in this exciting category, we launched Radicle™ by Kerry, a new global portfolio and solution platform. This portfolio allows us to bring together our complete technology offering and application expertise specifically for the plant-based market. It is clearly aligned with our customers' needs to create winning products that are more sustainable and nutritionally optimised with cleaner labels, authentic tastes and appealing texture.

Resource Efficiency

The impact of climate change such as the recent trend of hotter summers has brought challenging growing conditions for cereals and grains all over the world. This has led to reduced crop yields, higher barley and malt prices, as well as inferior quality grains for brewing and distilling. Kerry has the largest portfolio of brewing ingredients and process aids as well as the technical expertise, to help brewers navigate these three key challenges. Our solutions help our customers improve overall brewhouse process performance and maximise extract yield while reducing the percentage of malt used. This results in vastly improved sustainability measures and cost savings for the brewhouse.

Ensuring Quality & Food Safety

We strive to produce safe, high quality products and have stringent food and product safety requirements in place across the Group, as outlined in our Food Safety and Quality Policy. We take a farm-to-fork view that incorporates preventive controls through to horizon scanning and embedding best practice. We have implemented a global quality management system and in 2019, 100% of our sites maintained Global Food Safety Initiative (GFSI) certification. GFSI is an industry-driven initiative that reduces food safety risks by delivering equivalence between effective food safety management systems. We leverage this platform to ensure food safety and compliance with quality standards.

Kerry also requires that its suppliers of raw materials comply with strict requirements as laid out in the Group's Supplier Requirements Manual. We partner with suppliers operating in nearly 60 countries around the world, performing a risk assessment on all our direct suppliers and third party manufacturers annually. In 2019, we conducted 1,100 supplier food safety audits in 50 countries across 6 continents and in the past 5 years, our Global Supply Quality team have conducted in excess of 5,000 supplier audits.

Like many of the sustainability challenges we face, issues around food safety and food fraud are not unique to Kerry. As part of our governance and due diligence programme, policies and ways of working are refined in line with GFSI standards, peer reviews and benchmarking programmes with customers and organisations such as SSAFE (Safe Supply of Affordable Food Everywhere).

Responsible Sourcing

Much of the environmental impacts associated with our products occur in the supply chain, often at farm level. Although we do not own or operate any farms, Kerry is committed to promoting good agricultural practices and to upholding the rights of workers who help to produce our raw materials.

With a raw material spend of almost €4 billion, Kerry sources products from thousands of suppliers, providing vital support to agricultural communities around the world. However, some of the raw materials we use can present social and environmental challenges. Addressing these challenges can prove difficult within a complex global supply chain and, where possible, we seek to work with other stakeholders on a pre-competitive basis to find common solutions.

We continue to work to improve the traceability and sustainability of our raw materials and have a focus on six strategically important raw material categories. Certification standards play an important part in demonstrating good practice, however, we also engage closely with suppliers across these six categories and work collaboratively at farm level in a number of priority areas.

- Palm Oil
- Dairy
- Meat
- Vanilla
- Herbs & Spices
- Paper Packaging

We are members of important multi-stakeholder initiatives, through which we seek to work with others to advance responsible sourcing at category and industry level. These initiatives include SAI Platform, Innovation Centre for U.S. Dairy, Sustainable Spices Initiative, Origin Green, Roundtable on Sustainable Palm Oil and the Sustainable Vanilla Initiative.

Protecting Workers in our Supply Chain

Our Supplier Code of Conduct sets out our expectation that all suppliers act ethically, honestly and in accordance with all applicable laws. It is explicit in stating our respect for internationally recognised human rights and Kerry does not tolerate the use of forced or child labour, in any operations connected with the Group.

Action on this issue is coordinated across a number of functions including HR and procurement, with overall governance undertaken through the Group's Sustainability Council (see page 54). We monitor compliance based on risk and use independent input to help determine our areas of focus. Kerry is a member of SEDEX (Supplier Ethical Data Exchange), the world's leading collaborative platform for sharing responsible sourcing data, and we use this platform to assess our suppliers and help drive improvements in labour standards. To further support us in these efforts, we are also a member of the Food Network for Ethical Trade (FNET), a collaborative industry initiative that aims to improve human rights in global food supply chains.

Sedex Member FNET

For our global contracts, over 95% of vendors are SEDEX registered. In addition, we also assess our total supply chain based on risk and our goal for year end 2020 is for all direct suppliers classified as high risk to be registered as members of SEDEX. We continue to make progress towards that goal with 71% of these suppliers registered in 2019. Under our Supplier Code of Conduct, Kerry reserves the right to conduct independent audits of suppliers to confirm compliance and in 2019, 18% of our high risk suppliers had independent SMETA (SEDEX Members Ethical Trade Audit) audits in place.

Across priority raw material categories (see below), we continue to monitor human rights risk all the way to farm level. As part of this work we have created risk maps, calculating risk ratings for selected vendors and developing vendor action plans. We also have dedicated programmes in place to mitigate risks of infringement and examples include producer programmes in our vanilla and palm oil supply chains.

Promoting Sustainable Agriculture

The variation in our sourcing locations presents us with a variety of sustainability challenges arising from different agricultural systems and geographic contexts. To overcome this, we have developed a risk analysis tool which helps to identify and assess key areas for action within our priority categories. The tool considers a number of key impact areas within our supply chain, including human rights, emissions, deforestation and animal welfare. Through our procurement function, we work to mitigate these impacts and some details of actions taken across these six categories are outlined on pages 61-63.

Palm Oil

At Kerry, we believe that working with industry partners to effect change is the best long term solution for the palm industry. As a member of the Roundtable on Sustainable Palm Oil (RSPO), we continue to pursue the sourcing of more sustainable palm oil. We clearly set out our requirements in Kerry's Palm Oil Sourcing Policy and maintain regular engagement with suppliers to ensure compliance. All volumes across our Kerry Foods branded products carry physical RSPO certification and we continue to pursue greater traceability for all volumes purchased. In September 2019, we published an updated palm oil progress report outlining that traceability for our volumes to the mill was 97% while to plantation the number had increased to 51%.
For more information see our progress report on www.kerrygroup.com.

Program Ilham

Program Ilham is a collaborative project that aims to support smallholder farmers to improve their yields, thereby increasing production without the need for additional land and helping to improve the livelihoods of farm families.

In 2019, we concluded the fourth workshop for smallholders on Best Management Practice (BMP). The workshop focused on practical interventions such as ways to determine nutrient deficiency, handling of chemicals and proper use of personal protective equipment. The programme also provides subsidised compost based fertiliser which is specially formulated from the results of local soil and foliar sampling.

Dairy

Kerry's liquid milk suppliers use a natural, grass-based production system that is among the most carbon efficient in the world. Still, dairy production has a significant environmental footprint and Kerry Agribusiness works closely with our farmers to support them in implementing more sustainable practices in areas such as grassland management, soil health, water quality and animal welfare.

100% of Kerry's Irish milk volumes are certified under the Sustainable Dairy Assurance Scheme (SDAS), through which each farm is independently audited every 18 months. Each farmer is provided with a carbon footprint for their farm, together with information on what changes to farming practices will help to reduce emissions.

In 2019, through our membership of the Sustainable Agriculture Initiative (SAI) Platform, Kerry was an active participant in the development of the Sustainable Dairy Partnership (SDP). Through cooperation between dairy buyers and processors on sustainability, the SDP builds on the Dairy Sustainability Framework (DSF) and its eleven criteria without creating any new standards.

It provides a credible approach to foster and demonstrate continuous improvement and delivers a common approach to assess and improve sustainability at farm level. The launch of the SDP represents an important step on Kerry's responsible sourcing journey for those dairy ingredients where we do not have a direct relationship with farmers.

Meat

Our assessment of suppliers to date has focused on four key categories of pork, chicken, beef and fish which represent the key meat sourcing categories for the Group. We maintain 100% traceability to farm level for all volumes assessed. In addition, all seafood which we purchase is certified under Aquaculture or Marine Stewardship Council (ASC, MSC) standards. For chicken and pork, 77% and 44% of our respective volumes carry third party certification. Our sourcing of beef is predominantly from Ireland and the UK where extensive production systems can help mitigate some of the key risks in this category, for example animal welfare.

Vanilla

In Madagascar, Kerry's Tsara Kalitao Programme supports more sustainable vanilla production. With a focus on improving livelihoods, empowering women and educating children, the programme takes a holistic and long term approach to sustainability in the regions where we source.

All beans produced through the programme are certified organic and agronomists work to improve agricultural practices among farmers, helping them to enhance production techniques, boosting yields and thereby increasing incomes.

We also look at other ways of protecting farm incomes and with the high price of vanilla, the incentive for theft of beans prior to harvest remains, reinforcing the importance of the community watch programme initiated in participating villages. In 2019, theft of green beans stabilised within participating villages at approximately 3%, which is one of the lowest rates across the region.

We are also focused on ensuring that children across these villages can stay in school. We are pleased to note the continuing increase in the level of educational attainment at schools participating in the programme, allowing children to progress beyond primary level. In 2019, pass rates for final exams rose to 60% for the additional 15 schools incorporated in 2018. This is up from a pass rate of 17% in 2017.

Herbs & Spices

Within this category we have established a programme that aims to source only from primary processors. These supply partners are chosen for their consistent high quality and reliability, their proximity to farming communities and their commitment to working in close collaboration with these farmers. Kerry is also an active member of the Sustainable Spice Initiative, which has an objective of fully sustainable spice production and trade. Sustainably certified spices are not widely available and certification programmes are in their infancy relative to other commodities. As we seek to build a more sustainable sector, we have committed to working towards 10% certified sustainable sourcing in our top 3 product categories by 2021 and to achieve or exceed 25% certified sustainable sourcing in our top 3 product categories by 2025. In 2019, we made good progress against these targets and expect to deliver on these commitments within the agreed timeframe.

Madagascar
In 2019, pass rates for final exams rose to 60% for the additional 15 schools incorporated in 2018. This is up from a pass rate of 17% in 2017.

Paper Packaging

Our Towards 2020 target was to procure 90% of our fibre based packaging from sources that are certified, verified or recycled. In 2019, we maintained performance ahead of that target with 91% of our volumes meeting these criteria. Accepted certification standards include Forest Stewardship Council (FSC) and Programme for the Endorsement of Forest Certification (PEFC).

No Deforestation

Forests play a critical role in supporting our ecosystem and are a source of fuel and food for over a billion people yet forests globally are under threat. Agriculture is a leading cause of deforestation and Kerry has committed to ensuring that the raw materials we use do not contribute to further forest loss by 2025. We have a no deforestation commitment across targeted supply chains that represent a high risk of deforestation and include Meat, Dairy, Soy Bean, Palm Oil, and Paper. We are a member of several multi-stakeholder initiatives focused on this area including RSPO, the UK Roundtable on Responsible Soy, Tropical Forest Alliance (TFA) 2020 and others.

Marketing and Communications

At Kerry, we are committed to providing clear product information, which supports consumers in making healthy choices. All advertising and brand positioning conform to national advertising codes of practice and we are conscious of the potential impact of marketing to children and young people. We provide on-pack nutritional labelling and additional information services e.g. brand websites, to help consumers make informed choices.

The Group has established best practice guidelines for nutritional labelling across our portfolio, in line with Food Information to Consumers legislation.

In addition to mandatory labelling requirements, we support the voluntary addition of front-of-pack 'Reference Intake' information to aid consumer choice. We also employ customer enquiry lines which are manned by experienced teams who can help respond to any additional customer requests.

National Commitment

Origin Green is Ireland's national food and drink sustainability programme led by Bord Bia (Irish Food Board). The programme brings together farmers, producers, retailers and foodservice operators with the goal of making Ireland a world leader in more sustainable food production.

Origin Green enables Ireland's food industry to set and achieve measurable sustainability targets and Kerry is proud to be a founder member. As part of our Origin Green charter, we have set commitments for improvement across specified target areas including responsible sourcing, manufacturing operations and social impact.

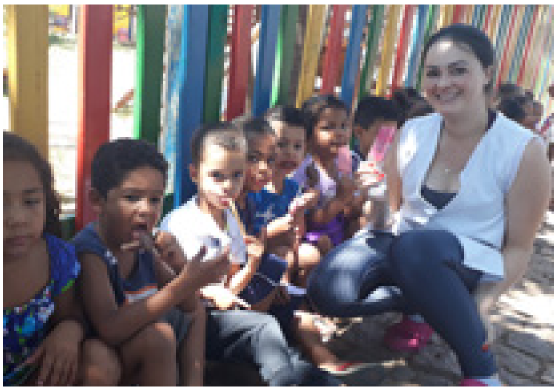
These commitments are fully aligned with the Group's broader sustainability goals and we continue to lead with the delivery of our programme. The independent verification of our performance under Origin Green also helps to provide further assurance around our progress on these issues.

In 2019, Kerry engaged with Bord Bia and industry partners in the development of a new Grass Fed Dairy Standard in response to demands from the marketplace for more natural and sustainable products.

Our colleagues are the foundation of our business. They enable Kerry's innovative and entrepreneurial culture to thrive, which is a key source of our competitive advantage, and central to our ongoing success. We cannot deliver for our customers without the 26,000+ unique and talented employees around the globe and we recognise that achieving our ambition of sustainable business growth can only be attained through their efforts.

Workplace

Each day, our people live our Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit as we partner with our customers and co-create better food, beverage and pharma products for consumers around the world. We strive to foster a culture that attracts the world's leading talent and create the environment where that talent can grow and flourish. More details relating to workplace sustainability can be found in Our People section on pages 18-23, outlining our key activities in some core areas and specifically relating to our Purpose, Values, diversity and inclusion, the employee experience, health, safety & wellness, talent pipeline and total rewards.



+
Our People
pages 18-23

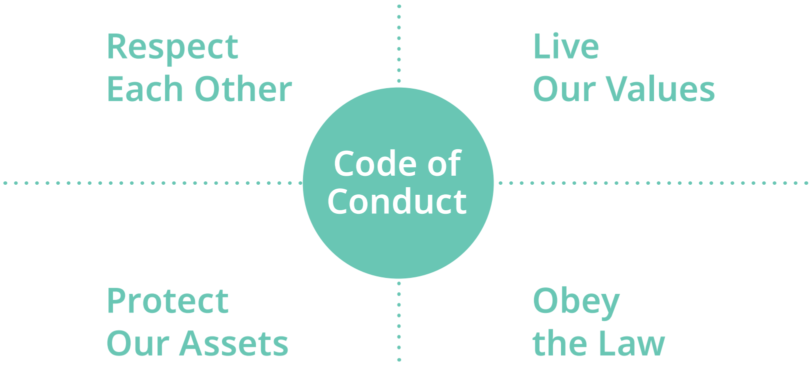
1,000+
R&D Scientists

26,000+
Employees

Our Workplace activities contribute to the achievement of the following UN Sustainable Development Goals.

4 QUALITY EDUCATION
5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

Doing the Right Thing



At Kerry, doing business with integrity is fundamental to the way we operate and the foundation of our long term success. Business results must always be achieved ethically and legally, and the Group's comprehensive Code of Conduct clearly defines the standards and expectations set for all Kerry colleagues. It sets out how we respect each other, live our Values, protect our assets and obey the law. The policies behind the code provide clear guidance for our daily interactions and are reviewed annually. The ongoing responsibility for their implementation rests with Group management, supported by relevant functions including HR and Internal Audit. The obligation to do the right thing is underpinned by one of our core Values of Courage whereby colleagues are supported to *"...to do what is right for our customer, our business and the world"*.

The Code of Conduct is available in multiple languages and is applied to all aspects of business across the Group. All colleagues are required to familiarise themselves with this code on joining Kerry and we mandate ongoing training thereafter through our learning academy, on at least a bi-annual basis. Since 2018, over 80% of all eligible colleagues have achieved Code of Conduct certification.

Where employees have concerns about business conduct, the Group provides clear guidance on reporting. The Employee Concerns Disclosure Policy details the appropriate means of reporting alleged misconduct. It encourages employees to speak up if they believe something is not right and is clear about the protection afforded to whistleblowers. To facilitate anyone who wishes to express a concern, the Group operates an ethics hotline, through which employees and third parties can report an issue anonymously at www.kerrygroup.ethicspoint.com.

In 2019, we continued to monitor and investigate all reported issues via this 'Express a Concern' facility. In the period there were approximately 0.4 cases reported per 100 employees (which includes a small number of reports from external parties) with over 85% of concerns reported relating to internal HR matters. The Board continue to review the effective operation of this facility and the reports arising from its operation on an ongoing basis. Further details are outlined under Whistleblowing Arrangement in the Corporate Governance Report on page 103. We also seek to extend our Values on ethical business practice to those with whom we do business and our requirements are reflected in our Supplier Code of Conduct.

Fighting Bribery & Corruption

As part of the Group Code of Conduct, Kerry's Anti-Bribery Policy describes our zero-tolerance approach and provides guidelines to all employees regarding potential situations involving bribery. This policy, together with policies on fraud, anti-money-laundering, fair competition and engaging with government officials, all support Kerry's efforts to ensure that corrupt practices do not form part of our business relationships. Internally, we ask questions on bribery and corruption of each business unit as part of the ongoing assessments undertaken by the Group's Internal Audit Team. In 2019, no incidences of bribery or corruption were uncovered across the Group.

As a business, we are also a member of SEDEX (Supplier Ethical Data Exchange) and each of our sites globally is registered with the platform. As part of this membership, each site completes a self-assessment on areas aligned with our Code of Conduct, including ethical business practice. Furthermore, over 90% of our sites are subject to an independent SMETA (SEDEX Members Ethical Trade Audit) or equivalent audit.

Upholding Human Rights

We are fully committed to upholding Human Rights and conduct our business in a manner that respects the rights and dignity of all people. Kerry's Global Human Rights Policy reflects this commitment and is guided by the Universal Declaration on Human Rights and the International Labour Organisation's Core Conventions.

The Group's Human Rights policy applies to all Kerry employees and sets out our expectations of business and supply chain partners to conduct their business in a way that upholds the principles set out in the policy.

The use of child or forced labour is strictly prohibited across all our operations and facilities. We do not tolerate any form of unacceptable treatment of workers and we respect all laws establishing a minimum age for employment.

We have processes in place to ensure compliance and to support implementation and monitoring of the Group's Human Rights policy. These are supported by monitoring through a number of external platforms. All manufacturing sites are registered with SEDEX and complete a self-assessment questionnaire, including questions on young employees, forced labour and human rights. Across our business over 90% of manufacturing sites are covered by independent SMETA, or equivalent, audits.

Our Supplier Code of Conduct is explicit in demanding that those who seek to do business with the Group uphold the rights of workers and expressly forbids the use of child labour, or forced or involuntary labour of any type. For more information on our engagement with suppliers in this area see our Responsible Sourcing Section on page 61.

We understand stakeholder requirements for more information on the impact of these policies and the associated due diligence processes. This is an area where we continue to enhance and build on existing programmes with further integration of approach across key functions.

The Group publishes an annual Slavery and Human Trafficking Statement which is available on the Group website at www.kerrygroup.com.

Improving Health & Safety

Kerry's Health and Safety Policy and management system defines consistent ways of working and establishes standard requirements across our business. While calling out responsibilities and accountability at all levels, it outlines a role for all colleagues in working safely and challenging any unsafe behaviour. Implementation is led by the Global Health, Safety and Environmental (HSE) team and employees are supported by dedicated HSE personnel across our sites, who work with site managers to ensure we consistently promote a culture of Safety First, Quality Always.

Since 2015, we have been targeting a 5% year-on-year improvement in our health and safety metrics and have made significant improvement over that period. In 2019, we delivered an improvement of 17% on the previous year and over the course of our Towards 2020 programme, we have achieved a cumulative 45% improvement versus our 2013 baseline. While this represents significant progress, there is no acceptable level of accident or injury and we continue to strive for the safest possible working environment. As part of our forthcoming commitments in this area, we are setting targets that align with best in class performance. For more, on health and safety see Our People section on page 22 and the Risk Report on pages 82-83.

Safety *First,*
Quality *Always*

Promoting Wellbeing

Given the time employees spend in the workplace, we know that as an employer we can play an important role in personal wellbeing beyond health and safety. At Kerry, we want to support our colleagues in leading healthier, more active lives and have begun to expand a number of locally relevant initiatives and promote a greater awareness around the concept of wellbeing.

For more, on our wellbeing activities, see Our People on page 22.

Developing Talent

Kerry recognises that in order to achieve our business goals, we must continuously invest in colleagues by adopting a structured approach to talent management.

In the first instance we value Inclusiveness, and through our Diversity, Inclusion and Belonging strategy, we are proactive in building a dynamic employee population which is representative of our global footprint, connected for knowledge sharing and has the potential to develop the future skills required to sustain our growth as a business.

Our structured approach to talent management is achieved via the 'mySuccess' platform that provides a mechanism for our people and managers to discuss performance and career progression with ongoing feedback and coaching, as well as formal year end reviews. Training or development needs identified as a result of this two-way process are supported through the Kerry Learning Academy, which facilitates the provision of tailored and more general learning solutions across the organisation. These solutions include a blend of classroom, online and interactive content that provides instruction, stimulates discussion and encourages collaboration from structured graduate training through to leadership development programmes. Our people, based in our main centres and working within our manufacturing locations, have invested in their development through the completion of over 206,000 courses during 2019.

Finally, to continue providing a stimulating employee experience, and to sustain our growth, we encourage our employees to build partnerships in the community and use our formal Volunteer Programme to help nourish these communities we rely on to support our business growth and from which we continue to build our talent pool.

For more on Talent and the employee experience, see Our People on pages 18-23.

Photo: Women fetching water from a well in Tahoua, Niger. Photographer Ciara Hogan/Concern Worldwide.

As the world's leading Taste & Nutrition company, we know that we reach millions of people every day through our products and that we impact on an even greater number when we include the communities where we operate and those we source from. The role we play in many of these communities is critical to their success, whether it be through the value created by our business activities, the jobs we provide, the raw materials we purchase or the products we produce.

Community

At Kerry we know that our global scale can have profound local impacts and we are focused on supporting and engaging in ways that enhance local communities. We know too that some of those most in need are beyond our direct reach and realise the importance of working with others and harnessing the goodwill and passion of our people to amplify our impact and effect meaningful change.

Our flagship programmes centre on improving health and nutrition, reducing hunger and tackling inequalities in ways that will make a lasting difference. From our commitment to help secure the future for farm families to partnering with local outreach programmes, our ongoing work in global communities enables us to nourish the lives of those who are most in need.

Photo: Mika Abdu with his daughter Habibah, Tahoua, Niger. Photographer Darren Vaughan/Concern Worldwide.

7,000+

people impacted by the RAIN Programme

+
Our People
pages 18-23

Through our community activities we contribute to the achievement of the following UN Sustainable Development Goals.

RAIN Programme

Realigning Agriculture to Improve Nutrition (RAIN) is an integrated development programme designed to tackle the significant barriers confronting extremely poor households in the world's most vulnerable regions. Kerry has previously supported the successful implementation of the RAIN Programme in the Mumbwa district of Zambia. The programme is designed and operated by leading international development agency, Concern Worldwide.

In 2018, Kerry announced that it would commit a further €1 million to bring a second phase of the RAIN programme to Niger, West Africa. Niger is a landlocked and largely arid state on the edge of the Sahara Desert and in 2019, the Global Hunger Index (GHI) ranked Niger 101st out of 117 countries.

The population of Niger is highly dependent on small-scale, subsistence agriculture, but with vulnerability to drought, limited access to finance and inadequate responses to climate change, productivity in Niger is low. Inhabitants of the Tahoua region, where the RAIN project is based, exist in a state of chronic poverty and experience one of the highest rates of malnutrition in Niger.

Through the RAIN Programme, Kerry and Concern Worldwide aim to bring hope to those most in need across Tahoua's communities by focusing on the following objectives:

- → Increasing food production and diversity of nutrient-rich diet
- → Promoting key health practices for improved maternal and child nutrition
- → Improving access to reliable and safe water sources and sanitation
- → Reducing inequalities experienced by the extreme poor and vulnerable, particularly women and girls
- → Strengthening the capacity of local structures to identify issues and solutions within the community.

Mika's Story

Mika Abdu (37) is a father of 3, living in the rural village of Sabon Kalgo in Tahoua. Lack of sufficient rain has led to poor harvests in recent years and his farm has suffered. Mika's village was selected to be part of the RAIN Programme and now using sack gardens which can flourish in minimal water, Mika is able to grow additional food to support his family. "I wasn't used to growing plants in a sack, it was new to me" says Mika. "But it is only now when I see what has been produced that I understand. I now realise that what Concern has done for us is something good."

In 2019, we successfully concluded the second year of the programme and we continue to build impact through this partnership working with 7,000 people across selected villages. In the key objective areas, progress has been made as follows:

Increasing food production and diversity of nutrient-rich diet:

- → Famers have been provided with fortified millet seed and 70 pilot farmers and 1,000 producers have been trained on conservation agriculture and good agricultural practices
- → Food production has been increased through kitchen 'sack' gardens with the result that 115 households have already harvested vegetables to supplement their diet.

Promote key health practices for improved maternal and child nutrition:

- → Community volunteers have screened 600 children for malnutrition and conducted household level education around sanitation and exclusive breastfeeding.

Improve access to reliable and safe water sources and improved sanitation:

- → Construction of four wells equipped with solar pumping devices has been completed to increase safe water sources and boost irrigation capacity for additional food production
- → Nearly one hundred sanitation sessions carried out in all 7 villages to eliminate dumpsites that encourage mosquitos and increase cases of malaria.

Reduce inequalities experienced by the extreme poor and vulnerable, particularly women and girls:

- → Sixteen Savings and Loans groups established with 466 female members. With the savings generated these groups have been able to grant loans to around 100 women as well as putting aside savings for emergency funds.

Strengthen the capacity of local structures to identify issues and solutions within the community

- → As part of the green village approach, two community plant nurseries have been set up to propagate new vegetable plants for distribution in the community. Five nurserymen in charge of the production have grown almost 10,000 tree plants
- → There is a partnership with the Department of Agriculture on conservation agriculture and good agricultural practices.

Photo: WFP/Boone Rodriguez

World Food Programme

Kerry is the first Irish company to partner with World Food Programme (WFP), the food assistance branch of the United Nations and the world's leading humanitarian organisation fighting hunger. Since 2016, Kerry and WFP have been partnering in support of Project Leche, a pioneering project that seeks to connect smallholder dairy farmers with sustainable market opportunities, while ensuring their product is at the quantity and quality necessary to meet demand.

Honduras is the poorest country in Latin America with one of the most unequal distributions of income and resources in the world. In 2019, forecasts of below-average rainfall persisted throughout the cropping season. The Dry Corridor – a particularly harsh area that is targeted by WFP assistance – is facing the longest dry period on record since 1981, thus worsening food insecurity and malnutrition amongst vulnerable populations, particularly in these Southern and Western regions.

WFP World Food Programme supported by KERRY

This targeted region is a renowned area for production of fluid milk and other dairy products. However, production levels are low, with low sanitation measures and insufficient knowledge of best practices of production, manufacturing and distribution techniques.

In 2019, Kerry and WFP entered the final year of Project Leche. As part of our commitment to supporting WFP Honduras and to achieve lasting impact through Project Leche, Kerry Group will continue to support in an advisory role across milk handling, milk processing and nutrition. A more detailed report on the full impact of Project Leche will be published in 2020.

Noon Foundation

In partnership with the Noon Memorial Legacy Trust, Kerry has supported the development of the Noon Hospital and Research Centre in India since 2016. The hospital, in Rajasthan, provides essential medical services for rural communities which would otherwise lack access to quality healthcare. The comprehensive facility boasts world class services with state-of-the art operating theatres, an intensive care unit (ICU), neonatal ICU and eye department and highly skilled staff.

As part of a five year programme of support, Kerry is proud to have helped expand services at the hospital, officially opening a fourth wing focused on eye care in March 2018. India is home to the world's largest population of blind people and the difficulty of losing vision is exacerbated by the fact that once blind, many lose their livelihoods forcing them, and often their families, into a life of poverty. However, in many instances blindness is preventable with timely intervention.

The 'Kerry Wing' houses the hospital's ophthalmic department, which treats a variety of health issues, including glaucoma, blindness, trachoma and cataracts and is accredited by the state Government through the District Blindness Control Society for prevention of blindness.

Project Leche: Progress in 2019

Nutrition	Sustainable Milk Production	Education & Awareness
In 2019, 190 teachers were trained in various modules including nutrition, food security, hygiene practices, safe food preparation and storage and nutrition education. Each module consists of eight hours of both theoretical and practical classes. These trainings set out to reinstate the importance of hygiene and nutrition.	In 2019, three 'Field Days' took place, in collaboration with the University of Zamorano which saw smallholder dairy farmers from across the region engage in peer-to-peer exchange and knowledge sharing. By coming together at such events, these farmers can better their own outputs and farm management by exchanging technical skills and learnings, empowering themselves and their peers.	Through the establishment of teacher and community networks, local communities are empowered with nutritional knowledge and awareness, with the aim of encouraging community wide healthy eating behaviours. The teacher and school committee networks will reinforce and continue to contribute towards increasing the nutritional status of school aged children in the targeted areas.

Since opening in March 2018, the new Kerry wing has seen over 38,000 patients and conducted more than 1,800 operations. This has been enabled directly by the additional staff and new facilities, including a wide range of essential equipment.

Crucially, the Noon Hospital and Research Centre provides this intervention on the basis of need, rather than ability to pay and offers those in the surrounding region access to the high quality treatment that can prevent sight loss. To date, over 20% of surgeries undertaken at the new Kerry Wing, have been provided at no cost to patients in need.

Connecting People

At Kerry, our committed and passionate workforce provide a link to thousands of communities around the world. Every day these colleagues contribute to nourishing the life of their communities through their roles with Kerry, but we also encourage our people to engage in other projects that matter most to them and those around them.

To support this, the Kerry Volunteer Programme provides paid leave to participate in local community programmes. Many employees have already availed of the opportunity, often alongside their colleagues and we continue to grow the number and impact of these volunteers over time.

Our local community activities span a broad range of initiatives including, enterprise, education, arts, sport and community development. With local ownership, each of our sites can select and engage with activities that make a positive difference to their local communities.

Special Olympics

The mission of Special Olympics is to provide year-round sports training and athletic competition in a variety of Olympic-type sports for children and adults with intellectual disabilities, giving them continuing opportunities to develop physical fitness, demonstrate courage, experience joy and participate in a sharing of gifts, skills and friendship with their families, other Special Olympics athletes and the community. This aligns with our desire at Kerry to support the inclusion of people with intellectual disabilities in our local communities.

In addition to the Group's support, our people have also taken great pride in the partnership with Special Olympics, registering over 1,600 volunteer hours across four countries in support of various activities, including the World Games in Abu Dhabi in March 2019.

Sport

We believe that sport plays an important part in a healthy active lifestyle, helping bring colleagues and communities together and promoting both physical and mental wellbeing. Kerry are proud supporters of many amateur sports including all Kerry inter county GAA teams and Rás Mumhan, Ireland's premier international amateur cycling event.

In 2019, The Kerry Sports Academy was offically opened and is home to the UNESCO Chair in Inclusive Physical Education, Sport Fitness and Recreation and CARA, the National Centre for Adapted Physical Activity.

Corporate Philanthropist of the Year

In 2019, Kerry was named Corporate Philanthropist of the Year by the Community Foundation for Ireland. These annual awards recognise those who have shown outstanding leadership in the area of philanthropy and who, through their giving, have made a difference in bringing about sustainable social change.

Photo: Courtesy of Bord Bia.

Community Development

Enterprise plays a key role in maintaining strong and vibrant communities, however, the increasing trend towards urbanisation poses a serious challenge for many rural locations. In Ireland, we are founder members of the Kerry SciTech initiative, which aims to link talented individuals with exciting opportunities across a range of start-ups and more established companies.

We also know that not-for-profit organisations play such a vital part in community life and we are proud supporters of numerous local charities. We understand that these organisations rely on volunteers to undertake much of the unseen work and as well as our financial assistance, we have helped develop a recognition programme for leading social enterprises.

Support for the Arts

We are proud to sponsor the internationally acclaimed literary festival 'Listowel Writers Week', including the festivals top prize 'The Kerry Group Novel of the Year'.

We are also corporate sponsor to Ireland's National Folk Theatre, Siamsa Tíre, an organisation that helps keep Irish folk traditions alive through production and training of young people in the traditional arts.

Education

We know the importance of education for promoting economic opportunities and as an organisation, we offer a number of scholarships across our regions each year. In Malaysia, Kerry has supported primary school children by providing back-to-school packs for the urban poor and underprivileged children, while in Panama, Kerry colleagues have donated educational supplies and volunteered to improve school facilities. Our sustainable Vanilla Programme in Madagascar also has a key focus on education (see page 62).

We are sponsors of the Origin Green Ambassador Programme, through which ten talented individuals are selected to complete an MSc in Business Sustainability. The Programme is designed to help equip businesses for the sustainability challenges that lie ahead by growing the expertise and pool of talent within our industry. Kerry is also a supporter of post doctoral research across the humanities and sciences through University College Dublin's Newman Fellowship Programme.

Effective Risk Management

As the global leader in the taste and nutrition industry, it is critical that Kerry has a robust risk management framework in place to identify, assess, prioritise and effectively manage its risks in order to ensure that it can continue to grow profitably.

The Group's success depends on its ability to identify and exploit the opportunities generated by the business and to determine the nature and extent of the risks it is willing to take in pursuit of achieving its strategic objectives.

The global scale of the Group in terms of geography and manufacturing footprint, together with its broad portfolio of customers, suppliers and products, helps limit the impact that any one risk may have. However, all risks must be monitored and managed to ensure that the potential impact remains within the acceptable level of tolerance to achieve a profitable return for shareholders.

Kerry Group Risk Management Framework

The Board has implemented appropriate governance structures to ensure that there is clarity of ownership and responsibility for risk management throughout the Group.

An overview of the Group's risk management and internal control framework, responsibilities within it and the relationship between functions is outlined in the diagram below.

Board of Directors

The Board of Directors is ultimately responsible for the management of risk and for setting the Group's risk appetite. The Board ensures that appropriate risk management and internal control systems, designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives, are in place.

During the year, as part of the risk management programme, the Board considered how the Group's principal risks and uncertainties could potentially impact the going concern and long term viability of the Group. The conclusions of this assessment are outlined on page 88.

Kerry Group Risk Management Framework

Board of Directors

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Audit Committee

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Risk Oversight Committee/Executive Management

1st LINE OF DEFENCE:	2nd LINE OF DEFENCE:	3rd LINE OF DEFENCE:
Source: Operational Management	**Source:** Oversight Functions	**Source:** Internal Audit and other Independent Assurance Providers
Nature of Assurance: Internal controls / Direct management monitoring (policies, processes, KPIs, tasks and behaviours)	**Nature of Assurance:** Regular performance reviews / Functional audits / Internal control self-assessments / ICT security monitoring	**Nature of Assurance:** Provide assurance on the operation of the 1st and 2nd lines of defence / Regular reviews / Recommendations for improvement

Audit Committee

The Board has delegated responsibility to the Audit Committee for providing structured and systematic oversight of the Group's risk management and internal control systems. The Audit Committee reviews and monitors the effectiveness of the Group's risk management and internal control systems throughout the year through its review of reports received from Internal Audit, the Group external auditor and senior management on the operation of material financial, operational and compliance controls. The Chairman of the Audit Committee reports to the Board at each Board meeting on its activities both in regard to audit matters and risk management.

A detailed description of the activities carried out by the Committee for the year under review is outlined in the Audit Committee Report on pages 107-111.

Risk Oversight Committee

The Risk Oversight Committee (ROC) is chaired by the Chief Financial Officer and comprises senior Group and functional management. The ROC supports the Audit Committee in the risk management process through ongoing monitoring and evaluation of the risk environment and the controls in place to manage those risks, in addition to the consideration of emerging risks which may impact the Group in the future. The ROC also ensures that there is a continuous focus on improving the effectiveness of risk mitigation activities.

Responsibility for the Group risk assessment process is owned by the ROC who maintain the Group risk register and report changes in the Group's principal risks and uncertainties to the Audit Committee and Board on an annual basis.

A schedule of presentations to the Board and Audit Committee on the principal risks and uncertainties is agreed at the start of the year and risk is a regular agenda item at Board and Audit Committee meetings where members of the ROC, or nominated functional leadership, present on these risks.

These presentations, and subsequent discussions, assist the Board and the Audit Committee in assessing the potential impact of both key existing business risks and newly emerging risks to the Group's strategy and operations as well as the effectiveness of internal controls and procedures in place to mitigate the risk.

Executive Management

Executive management are responsible for ensuring the effective operation of internal controls which have been designed to manage the principal risks and uncertainties on a day-to-day basis. The 'three lines of defence' model ensures that accountability for risk management is embedded into the Group's processes and procedures.

A number of management committees have also been established to support risk management initiatives across key functional areas including the Group Finance Committee, the ICT Security Steering Committee, the Sustainability Council, the Global Quality, Health, Safety and Environmental (QHSE) Leadership Team and the Brexit Steering Committee.

Three Lines of Defence

The Group operates a 'three lines of defence' model to ensure that there is a clear delegation of responsibility for the management of risk and that communication of the risk agenda is effective. Details of the 'three lines of defence' model is outlined on page 73.

Risk Assessment Process

The Group has a strong culture of risk management, with a co-ordinated bottom-up and top-down groupwide approach to risk assessment that facilitates the identification and evaluation of risks, as well as assessing how the risks are monitored, managed and mitigated. This process is facilitated by Internal Audit and overseen by the ROC. Ongoing and emerging risks were evaluated through bottom-up input from management across all divisional and functional areas who, through a programme of one-on-one interviews and a survey, performed a detailed review exercise to update the Group Risk Register.

During this process all existing strategic, operational, financial and compliance risks are considered along with potential new and emerging risks at a business and functional level throughout the Group. In assessing the potential impact and likelihood of each risk identified, management evaluates the risks at a residual level after existing internal controls have been considered.

A standard risk scoring matrix provides guidance on impact and likelihood to ensure consistency in reporting. The output from the interviews and survey are consolidated and ranked to identify the key principal risks and uncertainties for the Group. Executive management review and validate the results of this process providing further input where necessary. The ROC then reviews the Group Risk Register and submits it to the Audit Committee for approval.

The interaction and relationships between risks are considered and discussed. It is acknowledged by management and the Board that risks do not always exist in isolation and that the crystallisation of more than one risk at the same time could have a significant impact on the Group.

The Audit Committee and Board formally approved the Group Risk Register and have confirmed in the Corporate Governance Report that a robust assessment of the Group's principal and emerging risks was completed including those risks that could threaten the business model, future performance, solvency or liquidity of the Group. Throughout the year, the Board considers the appropriateness of the strategies and actions to address these risks in pursuit of the Group's strategic objectives.

Risk Appetite

The Kerry Group Board of Directors consider and assess risks in three broad categories namely; strategic, operational and financial & compliance. As a Taste & Nutrition and Consumer Foods business, the Board has a low risk appetite for risks which may impact the Group's reputation or brands, and in the financial & compliance or operational areas such as product quality and health & safety. However, in pursuit of strategic growth objectives, the Board understands that there is a trade-off between risk and reward in making certain strategic investment decisions and a higher level of risk may be accepted in these areas e.g. developing market expansion, acquisitions or capital investments.

Through the risk management framework all strategic investment decisions are approved by the Board. These are supported by documentation and presentations, along with senior management input to ensure that the risks associated with each transaction are fully understood and accepted.

Principal Risks and Uncertainties

The table overleaf describes the principal risks and uncertainties that have been identified by the Board, the mitigating actions for each and an update on any change in the profile of each risk during the year. The Board has determined that these are the principal risks and uncertainties which could impact the Group in the achievement of its objectives. Additionally, each risk has been linked to the Group's strategies for growth and margin expansion as outlined in the Strategic Report on pages 28-30.

This table presents the Board's view of the Group's principal risks and uncertainties and does not represent an exhaustive list of all the risks that may impact the Group. There are additional risks which are not yet considered material or which are not yet known to the Board but which could assume greater importance in the future. Likewise, some of the current risks may reduce in importance as management actions are implemented or changes in the operating environment occur.

The Board has reviewed the principal risks and the risk environment and considers that while there has not been a significant change in the principal risks in the past year they do continue to evolve and the Group continues to develop mitigation measures to address them. The Board continues to closely monitor the UK's exit from the European Union (EU), its potential impact on future trading relationships with the EU and the business environment in the UK. The Board also continues to monitor risk in the context of the growth of the Group through geographic expansion and ongoing acquisitions, in addition to regulatory change.

Emerging Risks

Emerging risks are identified, analysed and managed as part of the same process as the Group's other principal risks. Having reviewed the outcome of the risk assessment process, the Board is satisfied that there are no significant emerging risks that could impact the achievement of the Group's strategic objectives in the near term. However, there are a number of risks which must be monitored as they may have a potential impact for the Group in the future. Key emerging risks in this category include, technology innovation and disruption, climate change and water scarcity.

Principal Risks and Uncertainties

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities | Consumer Foods Strategic Growth Priorities | Margin Expansion Drivers

Risk	Trend/Link	Description	Impact
PORTFOLIO MANAGEMENT **Strategic Risk**	**Trend** **Link to Strategic Priorities**	The Group operates across a diverse portfolio of markets, channels and customers, and demand for products is impacted by factors including economic, demographic, technology, competitor actions, changes in consumer demands and fragmentation of the marketplace.	Failure to strategically manage the Group's portfolio and evaluate, plan and appropriately respond to evolving marketplace and competitive dynamics could have an adverse impact on the future growth and profitability of the Group.
BREXIT **Strategic Risk**	**Trend** **Link to Strategic Priorities**	The UK's withdrawal from the EU has the potential to significantly change the terms of trade which currently exist between the EU and Great Britain. The Group will continue to monitor the ongoing political situation and upcoming trade negotiations. While the outcome of these talks is difficult to predict, the Group has considered a number of different scenarios and appropriate mitigation plans have been developed.	If a GB-EU Free Trade Agreement (FTA) is not agreed by the end of the 2020 transition period, and no extension of talks is agreed, the default trading scenario implies the application of tariffs in line with World Trade Organisation (WTO) rules. This may have implications for the Group which will need to be managed through its sourcing policy and pricing model and by utilising operational flexibility to realign supply chains as appropriate. Reduced access to EU labour supply and a more restrictive migration policy may result in a tighter or more expensive UK labour market.

Risk Trend

Risk is unchanged | Risk has increased | Risk has decreased

Mitigation	Developments in 2019
– The Group's strategy and business plans are designed to ensure that resources are prioritised towards those technologies and markets having the greatest long term potential for the Group. – Post implementation reviews are undertaken for all major investment projects to measure returns and inform future investment decisions. – The Taste & Nutrition business is differentiated in the marketplace through its ability to provide integrated solutions and its targeted portfolio of foundational technologies. – The Group's market leading investment in research and development, consumer insight and innovation enable it to stay ahead of ever-changing consumer preferences and provides foresight into future consumer demands and market and competitor intelligence.	– The Group continued to evolve and strengthen its operating model to ensure that it remains both fit for purpose to deliver on its strategic plan and responsive to changing marketplace dynamics and opportunities. – Significant progress was made in leveraging and strengthening the Group's industry-leading taste and nutrition technology portfolio which continues to provide significant value for its customers in their quest to differentiate themselves in an ever-evolving marketplace. In particular, this included development in its portfolio of foundational technologies e.g. Clean Label preservation, Clean Taste and Probiotics.
– A cross functional Executive Steering Committee meets on a regular basis to consider and assess the potential consequences of the UK's withdrawal from the EU. – The Group's operational footprint across Europe and the UK provides it with a well-balanced and flexible platform from which to serve European and Global customers, regardless of the outcome of the Brexit process. – The Group has considerable expertise in managing cross-border product movements.	– The Group has invested in IT systems and processes to ensure it is ready to deal with the potential for increased customs documentation and regulatory requirements. – In order to minimise the cost implications of trade tariffs, the Group plans to optimise its global sourcing capabilities as well as localising raw material sourcing and finished goods production where feasible. – Where on-costs resulting from the change in trade tariffs cannot be eliminated through other means, the Group plans to recover increased costs through customer pricing. – The Group continued to monitor the potential impact of changes in the labour market arising from the UK's withdrawal from the EU and related events.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities

Consumer Foods Strategic Growth Priorities

Margin Expansion Drivers

Risk	Trend/Link	Description	Impact
GEOPOLITICAL /DEVELOPING MARKETS **Strategic Risk**	**Trend** ↑ **Link to Strategic Priorities**	As a global business operating in 150+ countries, the Group is exposed to economic and political instability that may reduce demand for its products. In addition, the Group must deal with increasingly complex legal and regulatory frameworks, currency volatility, trade policies, tariffs and sanctions and varying standards of quality and security across many jurisdictions.	Failure to monitor change and volatility across the Group's markets may have a potential impact on the future growth and profitability of the Group. With developing markets as a key pillar for future growth, the Group is exposed to potentially increased economic and political volatility in addition to the ongoing risk of regional or global pandemic outbreaks such as the coronavirus.
BUSINESS ACQUISITION AND DIVESTITURE **Strategic Risk**	**Trend** ↔ **Link to Strategic Priorities**	Acquisitions and divestitures continue to be a core element of the Group's growth and portfolio management strategy which presents risks around due diligence, execution and integration of businesses.	A failure to successfully identify, execute or properly integrate acquisitions or execute divestments in a timely and effective manner could impact profitability and impede the strategic development of the Group.

Risk Trend

Risk is unchanged | Risk has increased | Risk has decreased

Mitigation	Developments in 2019
– As an established international business, the Group has considerable experience of operating in countries during periods of economic and political volatility. – Rigorous due diligence is conducted when entering or commencing business activities in new markets. – The breadth of the Group's portfolio and its geographic reach help to mitigate its exposure to any particular localised risk. – Local management engage with governments and local regulatory organisations to contribute to, and anticipate, important changes in public policy. – The Group's legal, regulatory and compliance functions ensure that applicable laws and regulations are complied with across all jurisdictions and monitor ongoing developments. – Group hedging policies are in place to reduce transactional currency exposures. – Crisis management and business continuity plans are in place to minimise the impact of any significant incidents.	– The Group has invested in enhanced supply chain technology solutions to support its international business in an increasingly complex trading environment. – The Group continued to invest in its talent pipeline to ensure that the appropriate skills and expertise are available to support its growth in developing markets. – The Group, in conjunction with an external provider, completed an assessment of its people security crisis management plan, following which an updated plan was developed and is being deployed across the Group.
– The Group has significant expertise in identifying and evaluating appropriate opportunities and conducting due diligence and subsequent transaction execution. – The Group has a dedicated Mergers and Acquisitions (M&A) team with extensive knowledge and experience. – All potential transactions are assessed and evaluated to ensure the Group's defined strategic and financial criteria are met. The Board approves the business case, integration plan and funding requirements for all transactions. – The Group's detailed due diligence programmes are supported by external specialists when necessary. – A strong governance process is in place to oversee the acquisition integration process. – The Group works with the acquired entity management teams to ensure that processes are in place to develop and strengthen key acquired talent and support is being provided to facilitate an efficient integration process. – Post-acquisition reviews are conducted by senior management and results and learnings are presented to the Board on a regular basis.	– During the year, the Board considered and approved all new acquisitions. – The Group further strengthened its resource capability in the M&A team to support its growth strategy. The internal team is supplemented by external specialist resources as and when required.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities | Consumer Foods Strategic Growth Priorities | Margin Expansion Drivers

Risk	Trend/Link	Description	Impact
TALENT MANAGEMENT **Operational Risk**	**Trend** **Link to Strategic Priorities**	The ability to attract, develop, engage and retain appropriately qualified talent with the necessary capabilities and skillsets is critical if the Group is to continue to compete and grow effectively.	A failure to ensure that a strong senior leadership talent pipeline is in place may impact the Group's ability to achieve its strategic growth priorities.
QUALITY, FOOD SAFETY & REGULATORY **Operational Risk**	**Trend** **Link to Strategic Priorities**	Adherence to stringent food quality and safety controls is critical to ensure the safety and integrity of raw materials and products throughout the Group's supply chain. The Group must also ensure compliance with continuously evolving legal and regulatory obligations in the areas of food safety, quality, labelling and the environment.	A material breach of food quality or safety controls or other regulations could expose the Group to product liability claims, product recalls, litigation, customer dissatisfaction or consumer illness, which may have a negative impact on the Group's results and/or reputation.

Risk Trend

Risk is unchanged — Risk has increased — Risk has decreased

Mitigation	Developments in 2019
– The Group has objective recruitment and selection processes, effective employment policies and systems, a robust approach to succession planning and a range of talent initiatives, including Group led senior leadership development programmes. – Talent management is regularly discussed at Group Executive, Nomination Committee and Board meetings. – A globally consistent approach is in place to identify, assess and accelerate talent readiness to meet succession planning needs. – Remuneration policies are designed with clear links to strategic growth priorities and high performance criteria including a balance of short and long term incentives. – Structured graduate and mentoring programmes are in place to develop skills and capabilities that will enable future growth.	– The Group cascaded a leader-led engagement programme to embed its Purpose and Values to all employees. – The Group conducted a groupwide employee engagement survey, the results of which were reviewed by Executives and the Board to agree global priorities for 2020. – The Board endorsed a revised approach to executive succession planning and agreed a revised set of leadership competencies. – A risk mitigation plan for ensuring leadership continuity for key executive roles and strengthening the talent pipeline was reviewed and approved by the Nomination Committee. – An annual global review of talent and succession pools for all senior roles was completed and approved by Executives; development plans were updated for identified talent to strengthen core capabilities and accelerate succession readiness.
– The Group maintains industry-leading food safety and traceability processes and procedures across all its manufacturing sites. – Each site has a team dedicated to ensuring compliance with Group and industry standards and the Group routinely monitors performance against key metrics. – Regular audits of manufacturing sites against recognised global food safety standards are conducted by internal teams, customers and other independent agencies. – The Group operates stringent controls across its supply chain including audits and strict approval of its suppliers supported by rigorous quality checking of all ingredients. – The Group's regulatory function closely monitors and engages with external industry organisations on emerging issues. – Appropriate crisis management processes are in place to deal with any incident that may arise. – Adequate product liability insurance is in place across the Group.	– The Group has maintained a continued focus on achieving a 'right first time' quality culture through people development and ongoing enhancement of its Food Safety programmes. – A number of key appointments were made to further strengthen the global quality leadership team. – A strong capital investment programme in the Group's manufacturing facilities supports a continued focus on improving quality standards. – The Group continues to enhance its global quality standards and policies to include key learnings and industry and regulatory changes.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities | Consumer Foods Strategic Growth Priorities | Margin Expansion Drivers

Risk	Trend/Link	Description	Impact
HEALTH & SAFETY **Operational Risk**	**Trend** **Link to Strategic Priorities**	The health and safety of employees, sub-contractors, customers and other visitors is of paramount importance to the Group. In addition, the Group must comply with local safety regulations in multiple jurisdictions.	Health and safety incidents may give rise to injuries or fatalities, legal liability, significant costs and damage to the Group's reputation.
MARGIN MANAGEMENT **Operational Risk**	**Trend** **Link to Strategic Priorities**	The Group's cost base and margin can be impacted by fluctuations in commodities, freight, energy, labour and other input costs. These fluctuations can be influenced by global supply and demand, weather events, political decisions or changes in regulations.	Failure to pass on cost increases to customers in an inflationary environment with increased competitive pressures may impact the Group's margins.

Risk Trend

Risk is unchanged | Risk has increased | Risk has decreased

Mitigation	Developments in 2019
– Health and safety continues to be a key priority for the business. The development of a strong safety culture is driven by senior leadership across each region who are accountable for the safety performance of their business. – Both global and regional health and safety managers are in place with responsibility for enforcing strong health and safety standards across the Group. – A robust health and safety framework is in place throughout the Group's operations requiring all employees to complete formal health and safety training on a regular basis. – Group health and safety policies are in place outlining required standards, governance, roles and responsibilities at all sites. – Root cause analysis is conducted for any issues identified through investigation of serious incidents. – A global health and safety reporting process is in place to support the measurement of KPIs against industry standards.	– The 'tone from the top' on health and safety has been reinforced across all locations in the Group. – An improvement of 17% was achieved in the global Total Recordable Incident Rate (TRIR) metric. – The Group continued to monitor evolving regulatory requirements and implement required changes as necessary.
– The Group maintains a strong commercial focus on procurement, pricing and cost improvement initiatives and monitors pricing performance on an ongoing basis. – The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products. – Active risk management processes are in place which, in certain cases, includes taking purchasing cover on a back to back basis. In addition, exchange rate hedging is in place where necessary. – Contractual mechanisms are in place with many customers to pass-through changes in commodity prices.	– The Group continued to invest substantial resources in upgrading talent, systems and processes across its global commercial and procurement organisation. These investments enable the Group to keep pace with the ongoing challenges and complexities of the global marketplace. – During the year, the regional commercial finance teams were reorganised with a focus on optimising the efficiency and effectiveness of the pricing process.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities | Consumer Foods Strategic Growth Priorities | Margin Expansion Drivers

Risk	Trend/Link	Description	Impact
KERRYCONNECT **Operational Risk**	**Trend** **Link to Strategic Priorities**	As part of the strategy to roll-out a common ICT solution and standard ways of working across the Group, the deployment of Kerryconnect continued in the North America region during 2019 and is planned to complete in 2021.	Project delays or go-live issues may dilute critical resources and disrupt operations reducing the Group's ability to serve customers. In addition, poor management of the project costs or an under delivery of projected efficiencies may have a negative financial impact on the Group.
INFORMATION SECURITY & CYBERCRIME **Operational Risk**	**Trend** **Link to Strategic Priorities**	The Group is dependent on a robust ICT infrastructure for the operation of its principal business processes. There is a global threat of significant and increasingly sophisticated cyber-attacks including phishing, ransomware, malware and social engineering.	A successful cyber-attack, internal breach or other systems failure could result in business interruption, loss of confidential personal or business data or an inability to pay and receive money. This could have a significant customer, financial, reputational and regulatory impact for the Group.

Risk Trend

Risk is unchanged | Risk has increased | Risk has decreased

Mitigation	Developments in 2019
– The Kerryconnect Programme is supported by an Executive Steering team and a robust governance framework. – The Kerryconnect implementation team has accumulated significant knowledge and experience from roll-outs across other regions (Europe, APMEA, LATAM). – As in other regions, a phased deployment approach to rollout is being taken in North America. – Critical KPIs and other issues are reviewed at regular steering meetings.	– Kerryconnect was deployed to six sites in Canada and the United States without any significant business interruption. – Contingency plans were developed and tested to manage the impact of legacy dual running over the period of the project.
– The Group has a specialist ICT Security team and a comprehensive series of ICT security controls in place which are aligned to a globally recognised Information Security Control framework. – The ICT Security team continuously monitor developments in cyber security threats, engaging with third party specialists as appropriate. – The Group invests significant resources in continuing to increase employee awareness in relation to risks such as phishing and malware. – Appropriate policies are in place regarding the protection of both business and personal information, as well as the use of IT systems and applications by employees. This includes oversight and governance of privileged access. – Business continuity, disaster recovery and crisis management plans are in place and are tested on a regular basis. – An appropriate data protection governance structure for the Group is in place led by an experienced Data Protection Officer. – Regular audits are conducted both by ICT auditors within the Internal Audit function and by independent external specialists to assess the Group's cyber security practices. – The Group maintains a cyber insurance policy.	– The Group continued to strengthen its data loss prevention controls through the deployment of additional software solutions. – The Group continued to invest in its employee awareness programme. – Enhancements were deployed in relation to the management of network access controls. – The Group engaged a third party Security Operations vendor to provide a global 24/7 security monitoring service. – Considerable progress was made in testing and refining the Group's Incident Response processes.

Link to Strategic Priorities for Growth as per the Strategic Report

Taste & Nutrition Strategic Growth Priorities — Consumer Foods Strategic Growth Priorities — Margin Expansion Drivers

Risk	Trend/Link	Description	Impact
INTELLECTUAL PROPERTY MANAGEMENT Operational Risk	**Trend** **Link to Strategic Priorities**	The Group's unique mix of Intellectual Property (IP) is created by combining carefully managed material sourcing, recipe formulation and process technology expertise. The protection of IP is critical given that it is a key component of the Group's value creation model and supports its unique and differentiated position in the marketplace.	Failure to put in place appropriate processes, systems and physical security controls to protect IP owned by the Group may result in the loss of commercially sensitive and/or Kerry proprietary information which may have an adverse impact on revenue and profitability.
TAXATION Financial and Compliance Risk	**Trend** **Link to Strategic Priorities**	Given the Group's global network, it is exposed to an increasingly complex and evolving international tax environment. The Group's tax liability or reporting requirements may be impacted by local or international legislative changes, evolving legal interpretations, tax audits and transfer pricing judgements.	Changes in the international tax environment and associated local tax legislation may expose the Group to adverse tax consequences.
TREASURY Financial and Compliance Risk	**Trend** **Link to Strategic Priorities**	The international nature of the Group's operations means that it has transactions and activities across many jurisdictions which expose it to liquidity, foreign exchange, interest rate and counterparty risks.	Failure to manage these risks could negatively impact on financial performance of the Group.

Risk Trend

Risk is unchanged   Risk has increased   Risk has decreased

Mitigation	Developments in 2019
– The importance of IP protection and its role in future innovation, is deeply embedded within the culture of the Group. – The Group has developed a global centre of expertise to provide legal and technical support in the area of IP protection. – Appropriate policies and procedures are in place to provide guidance in relation to the capture, exploitation and protection of IP. – The Group invests in training programmes to ensure that all employees understand the value of IP and their responsibility to ensure that it is protected. – Appropriate processes are in place to ensure that IP held within ICT systems is adequately protected. – Non-disclosure agreements with third parties are in place and IP protection clauses are a standard element of both commercial and employment contracts. – The Group has processes in place to monitor the external environment for potential IP infringement and appropriate action is taken when issues are identified. – The Group maintains an ongoing focus on improving the physical security environment.	– The Group continued to develop and enhance IP protection practices globally. – The Group's cross functional centre of IP expertise ensured that all new technologies developed during the year were protected through patent applications or trade secrets, ensuring that investments made by the Group are ultimately safeguarded. Furthermore, as required, outside counsel was engaged to ensure that any potential infringements of IP by employees or competitors were dealt with appropriately. – The Group's patent portfolio was considerably augmented during 2019 through successful new patent applications and patent acquisitions. – The Group continued to invest in employee training programmes to raise awareness of the importance of IP asset protection in all interactions with both internal and external stakeholders.
– The Group employs a team of dedicated tax experts responsible for ensuring compliance with all taxation matters globally. A programme of continuous professional development ensures that the team is up to date on evolving tax law changes. – The Group engages external taxation advisors where appropriate. – The Group constructively engages with tax authorities across the jurisdictions in which it operates. – The Audit Committee receives updates from management in relation to the status of ongoing tax authority reviews and matters such as changes in tax laws.	– The Group continued to monitor developments in international tax legislation, while maintaining a consistent focus on ensuring compliance with new legislative requirements. – The Group continued to proactively engage with relevant tax authorities.
– A Group Finance Committee monitors treasury risk on an ongoing basis. – The Group maintains significant cash and debt resources with relatively long term maturities to ensure the Group's liquidity requirements are met. – The Group's Treasury function actively manages all treasury risks through cashflow forecasts, foreign currency exposure netting and hedging, monitoring and meeting funding requirements across its jurisdictions and management of interest rate and counterparty risk.	– The Group strengthened its liquidity position by extending the maturity date of its Revolving Credit Facility in addition to the issuance of a ten year €750m bond. – The Group facilitated liquidity extensions into a number of additional jurisdictions. – Continuous monitoring of exposure to individual banks and the tightening of counter-party limits where appropriate.

GOING CONCERN AND VIABILITY ASSESSMENT

The Board, having reviewed the Group's principal risks and uncertainties, including emerging risks, assessed the going concern and long term viability of the Group in line with the requirements of the 2018 UK Corporate Governance Code and the Irish Annex. Its conclusions on these assessments are outlined below.

Going Concern

The Consolidated Financial Statements have been prepared on the going concern basis of accounting.

The Directors have considered the Group's business activities and how it generates value, together with the main trends and factors likely to affect future development, business performance and position of the Group as described in the Business Reviews on pages 42-48. The Group's 2020 budget was reviewed and approved at the December Board meeting. The Directors have also examined the financial position of the Group, including cash flows, liquidity position, borrowing facilities, financial instruments and financial risk management, as described on pages 34-40 and additionally as described in note 24 to the financial statements.

As a result of this review, the Directors report that they have satisfied themselves and consider it appropriate that the Group and the Company is a going concern, having adequate resources to continue in operational existence for the foreseeable future and have not identified any material uncertainties that cast a significant doubt on the Group's and the Company's ability to continue as a going concern over a period of at least 12 months.

Viability Assessment

Assessment of Prospects

In line with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have carried out a rigorous review of the prospects of the Group over the medium term. In assessing the prospects of the Group and its ability to meet its liabilities as they fall due, the Board has taken account of the Group's five-year strategic planning cycle, capital investment plans, the business model, its diverse portfolio and the innovation pipeline. The Directors have also considered the Group's strong cash generation and debt maturity profile in addition to the principal risks and uncertainties detailed on pages 75-87. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are outlined in the financial review on pages 34-40.

Assessment of Viability

Although the Group's strategic planning cycle covers a period of five years, the Board considers that three years is the most appropriate period to assess the long term viability of the Group as current capital expenditure plans, commercial arrangements and financial projections are considered to be more reliable and robust over this period.

The Board has considered how the occurrence of one or more of the Group's principal risks and uncertainties could materially impact the Group's business model, future performance, solvency or liquidity by assessing the impact of these risks in severe but plausible scenarios.

While each of the principal risks and uncertainties could have an impact on the Group's performance, a significant food quality failure, an acquisition not delivering expected returns or a failure to achieve targeted revenue or margins were considered most likely to threaten the Group's long term viability.

These scenarios were stress tested both individually and in combination to assess their impact on the Group's solvency, liquidity and cash flow. This analysis indicated that significant headroom existed in all scenarios tested. In addition, the Board considers that the diverse nature of the Group's geographies, markets, customer base, and product portfolio provide significant mitigation against the impact of a serious business interruption.

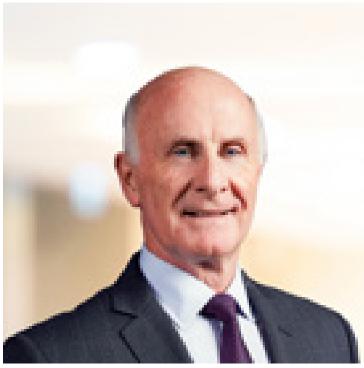
Viability Statement

Based on their assessment of prospects and viability, the Directors have concluded that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period of the assessment.

DIRECTORS' REPORT

BOARD OF DIRECTORS

Chairman & Executive Directors



Mr. Philip Toomey (66)

Chairman of the Board

Philip has extensive business leadership and international experience following an executive career in the financial services industry practice at Accenture. Philip brings financial and operational expertise as well as significant board level experience.

Philip was formerly Global Chief Operating Officer for the financial services industry practice at Accenture and also a member of the Accenture Global Leadership Council.

Philip is a Fellow of Chartered Accountants Ireland.

Philip was appointed Chairman of the Board in May 2018 and has served as a Director for eight years. He is Chairman of the Nomination Committee having previously served as Senior Independent Director and Chairman of the Audit Committee.

Appointed: 20 February 2012
and as Chairman 3 May 2018

Committee Membership

N

Mr. Edmond Scanlon (46)

Executive Director
Chief Executive Officer

Edmond is a highly experienced leader in the global food and beverage industry having spent almost 20 years in senior roles across the Group. Edmond brings a strategic mindset to drive Group performance and growth as well as significant financial and operational expertise.

Edmond joined Kerry's graduate development programme in Ireland in 1996. Over his career he has held leadership roles in the Group's Flavours and Applied Health and Nutrition (formerly Functional Ingredients and Actives) businesses as well as heading up the Group's activities in China and the Asia Pacific region.

Edmond was appointed Executive Director and Group Chief Executive Officer in October 2017.

Appointed: 1 October 2017

Ms. Marguerite Larkin (48)

Executive Director
Chief Financial Officer

Marguerite brings extensive financial knowledge and risk management expertise as well as being a highly experienced business leader.

Marguerite has over 25 years international experience having served as lead client partner at Deloitte Ireland for a number of multinationals operating in a broad range of industries including food and beverage, pharma and technology.

During her career with Deloitte, Marguerite served as a senior partner and held a number of leadership roles within Deloitte Ireland.

Marguerite is a Fellow of Chartered Accountants Ireland and holds a Bachelor of Commerce degree and Masters in Accountancy.

Marguerite was appointed Executive Director and Group Chief Financial Officer in September 2018.

Appointed: 30 September 2018

Mr. Gerry Behan (55)

Executive Director
President and CEO
Kerry Taste & Nutrition

Gerry has over 30 years experience in the Group and has extensive knowledge of the global food and beverage industry.

He has a wealth of business leadership experience, financial and operational expertise and brings a strategic mindset in the advancement of Kerry's leading taste and nutrition capabilities and unique positioning.

Gerry joined Kerry's graduate recruitment programme in 1986 and has held a number of senior financial and business management roles, primarily in the Americas region, including regional Chief Operating Officer and regional Chief Executive Officer.

He was appointed President and Chief Executive Officer of Kerry's Global Taste & Nutrition business in 2011.

Gerry has served as an Executive Director on the Board for 12 years.

Appointed: 13 May 2008

Committee Membership Key

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- ☐ Indicates Committee Chair

Non-Executive Directors

Dr. Hugh Brady (60)

Independent Non-Executive Director

Hugh's biomedical research and academic background brings an invaluable perspective to the Board particularly in the areas of health and wellbeing. He also brings a broad range of international and leadership experience.

Hugh is currently President and Vice Chancellor of the University of Bristol in the UK, a position he has held since 2015.

Hugh had a successful career as a physician and biomedical research scientist in the US where he served on the faculty of Harvard Medical School for almost a decade prior to returning to his alma mater as Professor of Medicine and Therapeutics in University College Dublin (UCD). He was previously President of UCD from 2004 to 2013.

He is a non-Executive Director on the Board of ICON plc where he also serves on the Audit Committee.

Hugh joined both the Audit and Nomination Committees in 2015.

Appointed: 24 February 2014

Committee Membership

A N

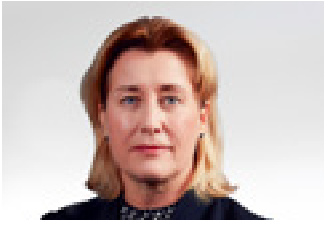
Mr. Gerard Culligan (45)

Independent Non-Executive Director

Gerard has considerable knowledge of the food industry, in particular the dairy and agribusiness sectors, as well as many years business management experience. He brings insights to the Board that are reflective of the Group's heritage and the dairy community that he represents.

Gerard operates his own business in the agribusiness sector and is a director and co-owner of two private companies in the marine industry.

Appointed: 1 June 2017



Dr. Karin Dorrepaal (58)

Independent Non-Executive Director

Karin is an experienced business leader who also brings extensive pharmaceutical market knowledge. She has wide ranging experience as a non-Executive Director on an international basis.

During her career she was an Executive Director on the Board of Schering AG in Berlin with responsibility for the Diagnostic Imaging business as well as worldwide manufacturing and procurement and was a partner at the NY and Amsterdam office of an international consultancy firm (formerly known as Booz Allen & Hamilton) where she specialised in the pharmaceutical industry.

Karin holds a Ph.D. and an MBA.

She is currently a non-Executive Director on the Boards of Gerresheimer AG, Paion AG (vice Chairperson) and Almirall S.A. Karin is also a director of a number of private companies.

Karin joined the Remuneration Committee in January 2015 and the Nomination Committee in December 2015.

Appointed: 1 January 2015

Committee Membership

R N

Ms. Joan Garahy (57)

Senior Independent Non-Executive Director

Joan has significant financial services and investment experience having spent over 30 years advising on and managing investment funds. Joan is also an experienced non-Executive Director and has particular expertise in financial and remuneration matters.

Joan is Managing Director of ClearView Investments & Pensions Limited and previously held other leadership roles in the Investment and pensions industry including with the National Treasury Management Agency (Ireland) and with Hibernian Investment Managers.

Joan is currently non-Executive Director at ICON plc and Irish Residential Properties REIT plc. She is also a director of a number of private companies.

In February 2012, Joan was appointed Chairperson of the Remuneration Committee and joined the Audit Committee on the same date. She was appointed Senior Independent Director on 3 May 2018.

Appointed: 11 January 2012 and as Senior Independent Director 3 May 2018

Committee Membership

R A

Mr. James C. Kenny (66)

Independent Non-Executive Director

James' business leadership background coupled with his US market knowledge and international diplomatic experience brings a key set of skills to the Board.

James was formerly Executive Vice President of US based Kenny Construction Inc. and President of Kenny Management Services Inc. He previously served as US Ambassador to Ireland from July 2003 to June 2006.

James is currently a non-Executive Director on the Board of Hub Group, a multimodal transportation company, listed on the NASDAQ.

James joined both the Remuneration and Nomination Committees in February 2012.

Appointed: 1 June 2011

Committee Membership

R N

Mr. Tom Moran (64)

Independent Non-Executive Director

Tom is an experienced leader who brings extensive knowledge of the food and agriculture industries combined with a broad range of international diplomacy skills. He is also a member of a number of boards and committees.

Tom had a long and distinguished career within the Irish Public Sector where he served as Secretary General of the Irish Department of Agriculture, Food and the Marine and also held a number of international policy and international trade negotiation leadership roles.

Tom is currently a Board member of An Bord Bia, the Irish Food Board, and chairs its Dairy Subsidiary Board. He is also Chairman of the Irish Government Public Appointments Service. Tom is a registered Chartered Director.

Tom joined the Audit Committee in December 2015 and the Remuneration Committee in February 2016.

Appointed: 29 September 2015

Committee Membership

A R

Mr. Con Murphy (55)

Independent Non-Executive Director

Con has a deep knowledge of the food industry, in particular the dairy and agribusiness sectors. He brings insights to the Board that are reflective of the Group's heritage and the dairy community that he represents.

Con operates his own business in the agribusiness sector and is a member of the Board of a small private company. He was previously the Chairman of the Irish Montbeliarde Cattle Society.

Appointed: 1 June 2017

Mr. Christopher Rogers (59)

Independent Non-Executive Director

Christopher is an experienced non-Executive Director with a broad business leadership background who also brings extensive knowledge of the foodservice industry together with financial and risk management expertise.

He was formerly an Executive Director of Whitbread plc for 11 years, serving as Finance Director for 7 years and then as Global Managing Director of Costa Coffee.

Christopher is currently non-Executive Senior Independent Director at Travis Perkins plc and non-Executive Director at Vivo Energy plc and Walker Greenbank plc.

Christopher is a Fellow of Chartered Accountants England and Wales. He is also a visiting Fellow at Durham University (UK).

He was appointed Chairman of the Audit Committee with effect from 8 May 2018.

Appointed: 8 May 2018

Committee Membership

A

REPORT OF THE DIRECTORS

Directors and Other Information

Directors

Philip Toomey, Chairman
Edmond Scanlon, Chief Executive Officer*
Marguerite Larkin, Chief Financial Officer*
Gerry Behan, President & CEO Kerry Taste & Nutrition*
Hugh Brady
Gerard Culligan
Karin Dorrepaal
Joan Garahy
James C. Kenny
Tom Moran
Con Murphy
Christopher Rogers

*Executive Director

Secretary and Registered Office

Ronan Deasy
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
V92 EH11
Ireland

Registrar and Share Transfer Office

Ronan Deasy
Registrar's Department
Kerry Group plc
Prince's Street
Tralee
Co. Kerry
V92 EH11
Ireland

Website

www.kerrygroup.com

The Directors submit their Annual Report together with the audited Consolidated Financial Statements for the year ended 31 December 2019.

Principal Activities

Kerry Group is a world leader in the global food industry. The Group's industry-leading portfolio of taste and nutrition foundational technologies and integrated systems deliver unique, innovative solutions to customers across the food, beverage and pharmaceutical industries. Kerry Foods, the Group's Consumer Foods business, is a leader in its categories in the chilled cabinet primarily in the Irish and UK markets.

Listed on the Euronext Dublin and London Stock Exchanges, Kerry has an international presence with 151 manufacturing facilities across the world.

Results and Review of the Business

The Directors are pleased to report another good performance for 2019 with an increase in constant currency adjusted earnings per share (EPS), which is before brand related intangible asset amortisation and non-trading items (net of related tax), of **8.3%** over 2018 to **393.7 cent** (2018 currency adjusted: 363.5 cent). Basic EPS of **320.4** cent increased by 4.7%. Trading margin for the year increased by 30bps to **12.5%** (2018: 12.2%). The Group achieved a free cash flow of **€515m** (2018: €447m). Further details of the results for the year are set out in the Consolidated Income Statement and in the related notes forming part of the Consolidated Financial Statements. The Group's financial key performance indicators are discussed on pages 32-33.

The Chairman's Statement, the Chief Executive Officer's Review, the Business Reviews and the Financial Review, which are included in the Strategic Report on pages 12-48, report on the performance of the Group's business, including acquisitions during the year and on future developments.

Dividends

On 17 February 2020, the Directors recommended a final dividend totalling **55.1 cent** per share in respect of the year ended 31 December 2019 (see note 10 to the financial statements). This final dividend per share is an increase of **12.0%** over the final 2018 dividend per share paid on 10 May 2019. This dividend is in addition to the interim dividend paid to shareholders on 15 November 2019, which amounted to **23.5 cent** per share.

The payment date for the final dividend is 15 May 2020 to shareholders registered on the record date 17 April 2020.

Events After the Balance Sheet Date

Other than the proposed final dividend, there have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2019.

Principal Risks and Uncertainties

In accordance with Section 327(1)(b) of the Companies Act 2014, Regulation 5(4)(c)(ii) of the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, a description of the principal risks and uncertainties facing the Group are outlined in the Risk Report on pages 75-87.

Research and Development

The Group is fully committed to ongoing technological innovation in all sectors of its business, providing integrated customer focused product development and support by leveraging our global technology capabilities and expertise. To facilitate this, the Group has invested in highly focused research, development and application centres of excellence with a strategically located Global Technology & Innovation Centre, based in Naas, Ireland which is supported by Regional Development & Application Centres and a global knowledge management infrastructure. Expenditure on research and development applications and technical support amounted to **€291.4m** in 2019 (2018: €274.6m).

Sustainability

The Group continued to deliver on its sustainability performance with the successful conclusion of the five year Towards 2020 programme. A new sustainability programme to better enable our Purpose will be launched in the second quarter of 2020.

The Group remains committed to the highest standards of business and ethical behaviour, to fulfilling its responsibilities to the communities it serves and to the creation of long term value for all stakeholders on a socially and environmentally sustainable basis.

Details regarding the Group's sustainability performance, policies and programmes in respect of the environment, marketplace, workplace and the community are outlined in the Sustainability Review on pages 49-72.

Share Capital

Details of the share capital are shown in note 27 of the financial statements. The authorised share capital of the Company is €35,000,000 divided into 280,000,000 A ordinary shares of 12.5 cent each, of which 176,514,942 shares were in issue at 31 December 2019.

The A ordinary shares rank equally in all respects. There are no limitations on the holding of securities in the Company.

There are no restrictions on the transfer of fully paid shares in the Company, but the Directors have the power to refuse the transfer of shares that are not fully paid. There are no deadlines for exercising voting rights other than proxy votes, which must be received by the Company at least 48 hours before the time of the meeting at which a vote will take place. There are no restrictions on voting rights except:

- where the holder or holders of shares have failed to pay any call or instalment in the manner and at the time appointed for payment; or
- the failure of any shareholder to comply with the terms of Article 13 of the Company's Articles of Association (disclosure of beneficial interest).

The Company is not aware of any agreements between shareholders which may result in restrictions on the transfer of securities or on voting rights.

The Directors have the authority to issue new shares in the Company up to a maximum of 20 million new A ordinary shares. This authority will expire on the earlier of the conclusion of the 2020 Annual General Meeting (AGM) and close of business on 1 August 2020 and it is intended to seek shareholder approval to renew the authority at the AGM to be held on 30 April 2020.

Shareholders approved the authority for the Directors to allot shares for cash on a non-pro rata basis up to a maximum of 8,815,127 shares at the AGM held on 2 May 2019, representing 5% of the A Ordinary Shares in issue on 1 March 2019. Shareholders also approved an authority to allot a further 8,815,127 A Ordinary Shares (5%) for cash on a non pro rata basis provided the additional authority will only be used for the purpose of an acquisition or specified capital investment announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed with the announcement of the issue. Neither authorities have been exercised and will expire on the earlier of the conclusion of the 2020 AGM and close of business on 1 August 2020. It is intended to seek shareholder approval for their renewal at the 2020 AGM. During 2019, 216,526 shares were allotted pursuant to the Company's Short and Long Term Incentive Plans as a result of shares which vested and options which were exercised. Further details are shown in note 27 to the financial statements.

The Company may purchase its own shares in accordance with the Companies Act 2014 and the Company's Articles of Association. At the 2019 AGM, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital, but the authority was not exercised. This authority is due to expire on the earlier of the conclusion of the 2020 AGM and close of business on 1 August 2020 and it is intended to seek shareholder approval for its renewal at the 2020 AGM.

Substantial Interests

The Directors have been notified of the following shareholdings of 3% or more in the issued share capital of the Company:

Shareholder	Number Held	%
Kerry Co-operative Creameries Limited (KCC)	22,413,456	12.7%
Blackrock Investment Management	10,028,236	5.7%

Apart from the aforementioned, the Company has not been notified of any interest of 3% or more in the issued share capital of the Company.

Directors

The Board, at the date of this report, consists of a Chairman, three Executive and eight independent Non-Executive Directors. The names and biographical details of the Directors are set out on pages 90-91. Following the individual performance evaluation of all Directors, as outlined in the Corporate Governance Report on page 105, the Board recommends the re-election of all Directors seeking re-election.

The Directors' and Company Secretary's interests in shares and debentures are included in the Remuneration Report on page 136.

Board and Committee Changes

There were no changes to the composition of the Board and its Committees during 2019.

Mr. James C. Kenny will retire from the Board at the conclusion of the AGM to be held on 30 April 2020 and will not seek re-election.

The Articles of Association empower the Board to appoint Directors, but also require such Directors to retire and submit themselves for re-election at the next AGM following their appointment. For the purposes of the European Communities (Takeover Bids (Directive 2004/25/EC)) Regulations 2006 specific rules regarding the appointment and re-election of Directors are referred to in the Nomination Committee Report.

Corporate Governance

The Corporate Governance Report on pages 98-106 sets out the Company's application of the principles, and compliance with the Provisions of the 2018 UK Corporate Governance Code and Irish Annex (the new Code).

Non-Financial Information

Pursuant to the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and groups) Regulations 2017, the Group is required to report on certain non-financial information to provide an understanding of its development, performance, position and the impact of its activities, relating to, at least, environmental matters, social matters, employee matters, respect for human rights and bribery and corruption. Information on these matters can be found in the following sections of the Annual Report, which are deemed to form part of this Report: Sustainability Review on pages 49-72, Our Business Model on pages 24-25, the Risk Report on pages 73-88. Information on diversity can be found in the Nomination Committee Report on pages 112-115.

Going Concern and Long Term Viability Statements

The going concern and longer term viability statements in the Risk Report on page 88 set out the Company's basis for the adoption of the going concern basis of accounting in preparing the Consolidated Financial Statements and the basis for the Directors' conclusion that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Irish company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the assets, liabilities and financial position of the Company and the Group, and of the profit or loss of the Group for that period. Under that law the Directors have elected to prepare group financial statements in accordance with International Financial Reporting Standards ('IFRSs') and IFRSs as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs and IFRSs as adopted by the European Union. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRS and IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for ensuring that the Company keeps adequate accounting records which correctly explain and record the transactions of the Company, enabling at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy and ensuring that the financial statements are prepared in accordance with IFRSs and IFRSs as adopted by the European Union, comply with the Companies Act 2014 and as regards to the Group financial statements, Article 4 of the IAS Regulation and enable the financial statements to be audited.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website www.kerrygroup.com. Irish legislation governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland, the Directors are required to include a management report containing a fair review of the business and a description of the principal risks and uncertainties facing the Group. The Directors are also required by applicable law and the Listing Rules issued by Euronext Dublin and the UK Listing Authority to prepare a Directors' Report and reports relating to Directors' remuneration and corporate governance.

Each of the Directors, whose names and functions are listed on page 92, confirms that, to the best of their knowledge and belief:

- the Consolidated Financial Statements for the year ended 31 December 2019 have been prepared in accordance with IFRSs and IFRSs as adopted by the European Union and give a true and fair view of the assets, liabilities, and financial position of the Group and the undertakings included in the consolidation, taken as a whole, as at that date and its profit for the year then ended;
- the Company financial statements, prepared in accordance with IFRSs and IFRSs as adopted by the European Union and as applied in accordance with the Companies Act 2014, give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2019;
- the Financial and Business Reviews on pages 34-48 include a fair review of the development and performance of the business for the year ended 31 December 2019 and the position of the Company and the Group at the year end;
- the Risk Report provides a description of the principal risks and uncertainties which may impact the future performance of the Company and the Group at the year end; and
- the Annual Report and Consolidated Financial Statements, taken as a whole, provides the information necessary for shareholders to assess the Company's and Group's position and performance, business model and strategy and is fair, balanced and understandable.

Directors' Compliance Policy Statement

It is the policy of the Company to comply with its relevant obligations (as defined in the Companies Act 2014). The Directors have drawn up a compliance policy statement (as defined in section 225(3)(a) of the Companies Act 2014) and arrangements and structures are in place that are, in the Directors' opinion, designed to secure material compliance with the Company's relevant obligations. The Directors confirm that these arrangements and structures were reviewed during the financial year. As required by Section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with the relevant obligations. In discharging their responsibilities under Section 225, the Directors relied on the advice both of persons employed by the Company and of third parties who the Directors believe have the requisite knowledge and experience to advise the Company on compliance with its relevant obligations.

Accounting Records

To ensure that proper accounting records are kept for the Company in accordance with section 281 to 285 of the Companies Act 2014, the Directors employ appropriately qualified accounting personnel and maintain appropriate accounting policies and systems.

The accounting records of the Company are maintained at the Company's registered office.

Accountability and External Audit

A statement relating to the Directors' responsibilities in respect of the preparation of the financial statements is set out on page 95 with the responsibilities of the Company's external Auditors outlined on page 145.

The Consolidated Financial Statements on pages 146-215 have been audited by PricewaterhouseCoopers (PwC), Chartered Accountants.

The external Auditors, PwC who were appointed in March 2016, will continue in office in accordance with Section 383(2) of the Companies Act 2014. A resolution authorising the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Disclosure of Information to the External Auditors

Each of the Directors, who were members of the Board at the date of approval of this Report of the Directors, confirms that:

- so far as they are aware there is no relevant audit information of which the Company's external auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's external auditors are aware of that information.

Memorandum and Articles of Association

The Company's Memorandum and Articles of Association set out the objects and powers of the Company. The Articles of Association of the Company may only be amended by way of special resolution approved by shareholders in a general meeting.

A copy of the Articles of Association can be obtained from the Company's website www.kerrygroup.com.

Change of Control Provisions

The Group's revolving credit facility includes a 'Change of Control' provision which requires the Group to notify the lending institutions of a change of control event occurring. Each lender has the option to withdraw their facilities in the event of a change of control occurring unless they agree otherwise in writing.

Certain public senior notes issued by the Group contain a provision that requires the Group to make an offer to repurchase the notes, in the event that a change of control occurs which leads to a downgrading of the rating assigned to the notes below investment grade.

Other than the 'Change of Control' provisions in those arrangements, the Group is not a party to any other significant agreements which contain such a provision.

Political Donations

During the year, the Company made no political contributions which require disclosure under the Electoral Act, 1997.

Group Entities

The principal subsidiaries and associated undertakings are listed in note 36 to the financial statements.

Retirement Benefits

Information in relation to the Group's retirement benefit schemes is given in note 26 to the financial statements.

Taxation

So far as the Directors are aware, the Company is not a close company within the definition of the Taxes Consolidation Act, 1997. There has been no change in this respect since 31 December 2019.

Financial Instruments

The financial risk management objectives and policies, along with a description of the use of financial instruments are set out in note 24 to the financial statements.

Information Required to be Disclosed by Listing Rule 6.1.77, Republic of Ireland Listing Authority

For the purposes of Listing Rule 6.1.77, the information required to be disclosed can be found in the following locations:

Section	Topic	Location
(1)	Interest capitalised	Statement of accounting policies
(2)	Publication of unaudited financial information	Supplementary information
(3)	Details of small related party transactions	Note 33 to the financial statements
(4)	Details of long term incentive schemes	Remuneration Committee Report
(5) – (14)	Section 5 – 14 of Listing Rule 6.1.77	Not applicable

Cross References

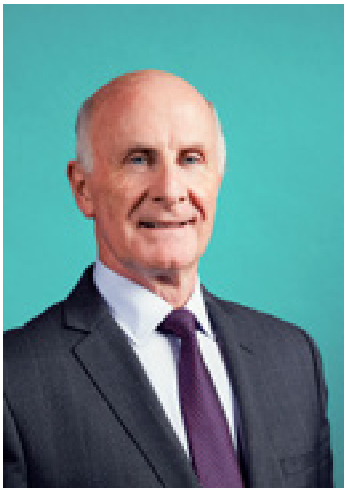
All information cross referenced in this report forms part of the Report of the Directors.

Signed on behalf of the Board:

Philip Toomey
Chairman
17 February 2020

Edmond Scanlon
Chief Executive Officer
17 February 2020

CORPORATE GOVERNANCE REPORT



Philip Toomey
Chairman of the Board

Dear Shareholder,

I am pleased to present the Kerry Group Corporate Governance Report for the year ended 31 December 2019.

The Board is committed to ensuring that the Group achieves the highest standards of governance in line with best practice. Following the publication of the 2018 UK Corporate Governance Code (the new Code), the Board reviewed its corporate governance policy and processes and implemented the appropriate changes required to comply with the new Code.

The Corporate Governance Report describes how we apply the main Principles of good governance as set out in the 2018 UK Corporate Governance Code and the Irish Annex (the Code). On behalf of the Board I can confirm that for the year under review the Group has complied with all relevant Provisions of the new Code other than certain remuneration Provisions which will be considered as part of the Executive Directors' remuneration policy review to be conducted in 2020 in line with the normal three year cycle. Further details are outlined in the Remuneration Committee Report on page 116.

The Board sets the tone and shared values for the way in which the Group operates and recognises the importance of culture to the success of the business model. During 2019, the Group articulated its Purpose, refreshed its Values and communicated both across the organisation via leader led Kerry Way workshops. The Board also assessed and monitored the Group's culture to ensure that it is aligned with the Group's strategy and Values and is adequately embedded across the Group.

As a Board, we recognise the benefits of understanding the views of all our stakeholders and we ensure that their interests are regarded in Board discussions and in our decision making. Enhanced engagement mechanisms, including the appointment of a designated workforce engagement Director were introduced during 2019. Details of stakeholder engagement activities during the year are outlined on pages 100-103.

The Board, in conjunction with the Nomination Committee, ensures that there are robust plans in place to facilitate Board, executive and senior management succession.

Diversity at Board level has been a focus for the Nomination Committee for a number of years and continues to be a key factor when considering Board refreshment. During 2019, the Nomination Committee reviewed senior management development and succession plans to ensure the appropriate level of skills and diversity exists, to support the delivery of the Group's strategy and financial targets. Improving and monitoring diversity beyond gender and below Board level will continue to be a key area of focus for the Board and the Executive Team in 2020.

Each year the Board undertakes a formal evaluation of its effectiveness and that of its Committees. In 2019, this was externally facilitated by Independent Audit Limited. Following this review, the Directors determined that the Board and its Committees are operating effectively. Details of the process and the resulting actions from the Board performance evaluation are outlined on page 105.

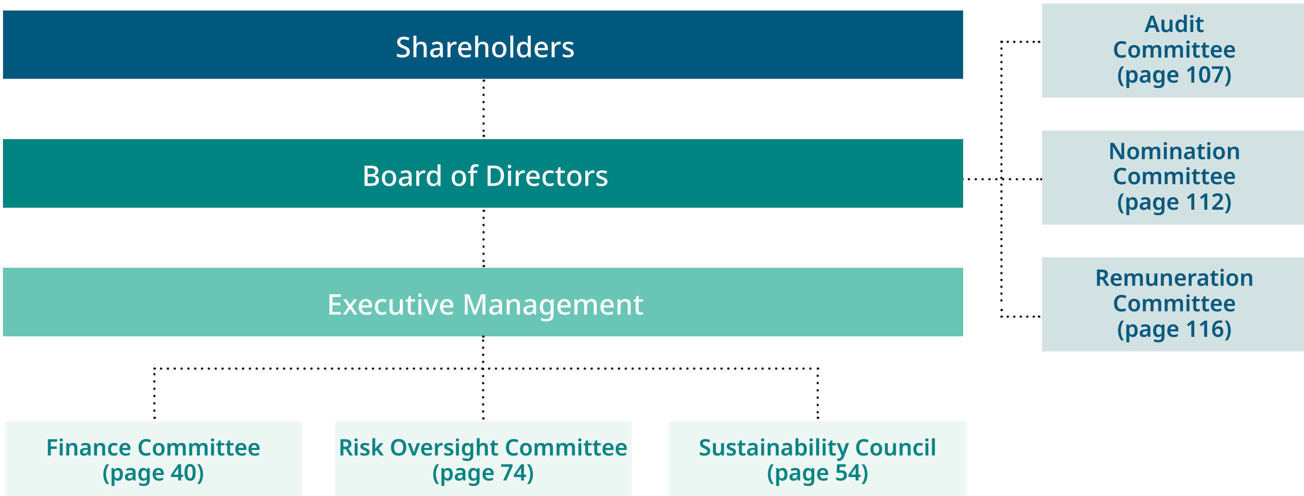
Details of the Group's activities and the operations of the Board, contained in the following report, outline the manner in which the Group has achieved compliance with the Code through the activities and operations of the Board and its Committees during the year.

Philip Toomey
Chairman of the Board

Board Leadership and Company Purpose

Kerry Group Governance Framework

Kerry Group has a clear Governance Framework with defined responsibilities and accountabilities as outlined in the diagram below. This Governance Framework is designed to safeguard long term shareholder value and ensure that the Group contributes to wider society.



Board Role and Operations

The Board currently comprises of 12 members, a non-Executive Chairman, Chief Executive Officer, Chief Financial Officer, one other Executive Director, and eight non-Executive Directors.

The Directors are of the opinion that the composition of the Board provides the extensive relevant business experience needed to oversee the effective operation of the Group's activities and that the individual Directors bring a diverse range of skills, knowledge and experience, including financial as well as industry and international experience, necessary to provide effective governance and oversight of the Group.

The Board's role is to promote the long term sustainable success of the Company generating value for all its stakeholders, including shareholders, employees, customers, suppliers and the communities in which it operates, while exercising business judgement on developing strategy, and managing the risks that face the organisation. It is also responsible for establishing the purpose, instilling the appropriate values and behaviours, together with monitoring and assessing culture throughout the organisation.

The Board has a formal schedule of matters specifically reserved to it for decision as noted below and has delegated other responsibilities to management for day-to-day operations within the context of the Kerry Group Governance Framework as outlined above.

Schedule of Matters Reserved for the Board

- Appointments to the Board;
- Ensuring compliance with corporate governance, legal, statutory and regulatory requirements;
- Approval of the overall Group strategic and operating plans;
- Monitoring and reviewing risk management and internal control systems;
- Monitoring and assessing culture;
- Reviewing and assessing the adequacy of the Group's whistleblowing arrangements;
- Approval of acquisitions and divestitures;
- Approval of significant capital expenditure;
- Approval of Treasury policy including changes to the Group's capital structure;
- Approval of dividend policy and dividends;
- Approval of annual budgets;
- Approval of preliminary results, interim management statements and interim financial statements;
- Assessment of the long term viability of the Group and the going concern assumption; and
- The preparation of, and confirmation that, the annual report and financial statements present a fair, balanced and understandable assessment of the Company's position performance and prospects.

The Chairman ensures that all Directors have full and timely access to such information as they require to discharge their responsibilities fully and effectively. Board papers are issued to each Director at least one week in advance of Board meetings and include the meeting agenda, minutes of the previous Board meeting and all papers relevant to the agenda. The Chairman, in conjunction with the Company Secretary, has primary responsibility for setting the agenda for each meeting. All Directors continually receive comprehensive reports and documentation on all matters for which they have responsibility to allow them to fully complete their duties as a Director. All Directors participate in discussing strategy, trading updates, financial performance, significant risks and operational activities as well as the Group's Purpose, Values and culture. Board meetings are of sufficient duration to ensure that all agenda items and any other material non-agenda items that may arise are adequately addressed.

In accordance with an agreed procedure, in the furtherance of their duties, each Director has the authority to engage independent professional advice at the Company's expense. There is a Directors and Officers liability policy in place for all Directors and Officers of the Company against claims from third parties relating to the execution of their duties as Directors and Officers of the Company and any of its subsidiaries.

Strategy

The Group communicated the five year strategic plan for 2018-2022 to the market at a Capital Markets Day held in 2017. During 2019, as part of the annual strategy review, the Board received presentations from Group and divisional management on progress to date implementing the strategies for growth, margin expansion and return on investment that underpin the plan and its associated financial targets. Through this review, the Board is able to assess and identify changing and emerging risks and opportunities which could impact the Group and provide input and strategic guidance as required.

The Board ensures that the decisions it makes are aligned with the achievement of the Group's strategy and are made in the long term interest of the Group and its stakeholders. This is particularly the case when deciding how to prioritise the allocation of resources (human and financial capital) across competing research and development activities, acquisition opportunities and major capital expenditure projects.

During the year, the Board also reviewed the business model and how it is executed. The Board is satisfied that the business model is both sustainable in the long term and optimally structured to enable delivery of the Group's strategy.

Purpose, Values and Culture

As the world leader in taste and nutrition, our Purpose is to Inspire Food and Nourish Life. This is a core element of The Kerry Way which was formalised through a collaborative process with input from employees across the Group and approved by the Board.

The Group's Purpose guides us on the journey to make it easier and more valuable for customers to do business with Kerry, as the Group seeks to make a greater, more lasting difference in the world. The Board is satisfied that the strategies for the Taste & Nutrition and Consumer Foods businesses are aligned to the Group's Purpose. The Board is also guided by the Group's Purpose during its discussions and when making decisions on the matters that are reserved for its consideration. Further details of the Group's Purpose are outlined on pages 6-7.

The Group's Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit are also a core element of The Kerry Way and underpin its Purpose. These Values were approved by the Board during 2019 and reflect the best of the Group's heritage in line with our forward looking ambition. Further details of our Values are outlined on page 19.

The Group's culture is based on a common understanding of our Values, underpinned by our foundation of Safety First, Quality Always and a robust risk management framework consisting of policies and procedures, including a Code of Conduct which defines business conduct standards for anyone working for, or on behalf of, the Group.

The Board recognises the importance of its role in setting the tone of Kerry's culture and embedding it throughout the Group. In addition to the Board, the executives have responsibility to ensure that the policies and behaviours set at Board level are effectively communicated and implemented throughout the Group. The Kerry Way framework articulates the Group's Purpose and Values and the myKerry intranet site provides a platform for employees to access the Group's policies.

The Board monitors and assesses the culture of the Group through a number of mechanisms including policy and compliance processes, internal audit, formal and informal channels for employees to raise concerns including the ourVoice employee engagement survey and the Group's whistleblowing arrangement. If the Board is concerned or dissatisfied with any behaviors or actions, it seeks assurance from the executives that corrective action is being taken.

Stakeholder Engagement

While the Board's primary duty is to act in a way that promotes the long term success of the Company for the benefit of the shareholders, the Directors also acknowledge the need to have regard to the interests of all other stakeholders in their discussions and decision making. Engagement with stakeholders enables better informed decision making, thereby increasing the likelihood of long term successful outcomes. Similarly, the Board also recognises the need to maintain a reputation for high standards of business conduct in its actions and decisions. Details of our stakeholder engagement are set out in the table on pages 101-102.

Shareholders	**Our Engagement** The Board ensures it has an effective channel of communication with existing and potential shareholders. The Investor Relations team and Executive Management maintain ongoing engagement with the investment community, through a variety of different mediums including investor meetings and conferences, investor events, ongoing investor calls and correspondence. During 2019, meetings were held with over 580 investors in 13 cities and five investor conferences were held at the Global Technology & Innovation Centre in Naas, Ireland. In addition, a significant amount of published material including results releases, presentations, share price information and news releases are accessible to all shareholders on the Group's website www.kerrygroup.com. Shareholder presentations are made at the time of release of the Group's interim and full year results, following which the Chief Executive Officer and Chief Financial Officer provide the Board with an update on feedback received. Regular updates are provided by the Chief Financial Officer to the Board on matters raised by shareholders and analysts as well as updates on the composition of the Group's share register. Attendance of, and questions from, shareholders at the Company's Annual General Meeting (AGM) are welcomed by the Board. The AGM also provides an opportunity for the Directors to deliver presentations on the business to shareholders, both institutional and private. Further details are outlined on page 103. **Material Matters** Matters of importance to shareholders include the Group's strategic development, financial performance, environmental, social and governance matters, Board composition and succession planning, and Executive Directors remuneration related matters. **Our Response** When necessary, the Board and Committee Chairpersons engage with shareholders on specific topics and where relevant provide feedback to the Directors. During 2019, the Chairman of the Board met with the Company's largest shareholder and the Remuneration Committee Chairperson consulted with a number of large institutional shareholders. All the Committee Chairpersons attend the AGM and are available throughout the year to meet shareholders on request.
Employees	**Our Engagement** The Group undertakes regular two-way engagement activities with our 26,000+ employees including employee briefings and Town Halls led by business leadership teams and the ourVoice employee engagement survey followed by team feedback sessions. During 2019, leader led Kerry Way workshops were held across the global organisation to communicate and embed the Group's Purpose and refreshed Values. By the end of the year, 90% of all Group employees had participated in these workshops. Updates on employee engagement activities were presented to the Board and the Nomination Committee by the executives on a regular basis throughout the year. Board members also engaged directly with business leadership teams and emerging talent when the Board meetings were held in Poland and Naas and during individual visits to other Group locations. **Material Matters** Key themes identified from employee feedback included enhanced leadership development, refined operating model and career development opportunities. **Our Response** The Board appointed a designated workforce engagement Director and approved a workforce engagement plan. The Board provided feedback and insight on, and ultimately approved, The Kerry Way framework, a refreshed set of Kerry Leadership Competencies and Values, enhancements to the Group's operating model as well as the action plans agreed to address the matters raised by employees as part of the ourVoice engagement survey. Details of employee engagement and activities are outlined in Our People on pages 18-23 and the Sustainability Review on pages 49-72.

Customers & Consumers	**Our Engagement** Kerry operates a proven customer-centric business model that enables us to work side by side with customers as their co-creation partner of choice. The Group interacts with customers on a daily basis at multiple levels such as dedicated relationship and account managers and tailored innovation forums. During 2019, the Group conducted a customer satisfaction survey with its major customers as well as engaging with them as part of the development of a new sustainability programme. Feedback from customer engagement activities was discussed at each Board meeting as part of the business updates provided by the Executive Directors. The Board also received customer related presentations from the Group Head of Sustainability as well as other senior managers over the course of the year. As part of the Board visit to Poland in June 2019, Board members engaged directly with representatives of major customers in Eastern Europe to enhance the Board's understanding of the Group's activities and customer requirements in that marketplace. **Material Matters** Our customers are responding to the unprecedented level of disruption in the food and beverage industry by delivering authentic products that combine both great taste while meeting nutrition and functionality demands. Key for customers to win in this fast moving environment is the ability to bring more products to market and at pace. **Our Response** During the year, the Board approved changes to the Group's operating model to enhance the Group's ability to meet customer requirements in the most innovative, effective and efficient way possible. When approving acquisitions and capital expenditure investments, the Board is mindful of the impact that the decision will have on the Group's ability to help our customers to achieve their growth ambitions. The Board approves the Group's significant investment in Research & Development activities and together with management ensure that this resource is focused on those projects that can best meet customers' needs and thereby enable the Group to achieve its strategic objectives in relation to revenue growth, margin expansion, return on investment and enabling food production in a more environmentally sustainable manner. Examples include the launch during the year of the Group's Radicle™ brand of plant-based offerings and the investment needed to develop an enhanced predictive artificial intelligence (AI) tool, Kerry Trendspotter™ to understand new trends in the marketplace. Further details are outlined in Our Business Model on pages 24-25, Our Strategy on pages 28-30 and the Sustainability Review on pages 49-72.
Suppliers	**Our Engagement** Kerry engages with suppliers on a daily basis to manage ongoing operational activities through a dedicated procurement function. In addition, the Group has identified key suppliers with whom we have more strategic relationships. Updates on supplier engagements were provided to the Board throughout the year by the Executive Directors and specifically by the Group Head of Sustainability as part of his Board briefings in relation to the Group's Sustainability Programme. **Material Matters** Matters of importance to our suppliers include cost recovery, availability of supply and sustainable sourcing, with the ethical treatment of workers in the supply chain being an area of increasing focus. During 2019, the impact of Brexit on availability and cost of supply was also a topic which received particular attention in our Consumer Foods division. **Our Response** Through the Group's Sustainability Programme, the Board ensures that the organisation works with suppliers who provide raw materials to the required safety and quality standards, produced on a sustainable basis and with the proper regard for the fair treatment of all workers in the supply chain. Further details are outlined in the Sustainability Review on pages 60-63.
Community	**Our Engagement** Kerry engages with community representative bodies, charities and leading non-governmental organisations in all the locations in which it operates. Our employees support community projects in different countries and participate in our Kerry Volunteer programme. The Board reviews our local community plan as part of the overall sustainability programme. **Material Matters** Matters of importance include employment and local economic development, environmentally responsible food production and community support programmes. **Our Response** Details of the Group's community engagement activities are outlined in the Sustainability Review on pages 68-72.

Consideration of Stakeholder Views in the Decision Making Process

By understanding the matters of importance to our stakeholders, the Board can consider their needs and concerns in its decision making. The Board ensures that material decisions which could impact on stakeholder groups are taken with due regard to their interests.

During 2019, the Board improved its stakeholder engagement mechanisms and the procedures to ensure that stakeholder interests are considered in its discussions and decision making. The Board is committed to enhance these procedures further.

Annual General Meeting

All Directors attend the AGM and are available to meet with shareholders and answer questions as required. Notice of the AGM, proxy statement and the Annual Report and financial statements are sent to shareholders at least 20 working days before the meeting. A separate resolution is proposed at the AGM on each substantially separate issue including a particular resolution relating to the adoption of the Directors' and Auditors' reports and the financial statements. Details of the proxy votes for and against each resolution, together with details of votes withheld are announced after the result of the votes by hand. These details are published on the Group's website following the conclusion of the AGM. At the AGM held on 2 May 2019, there were no material votes cast against any resolutions.

Whistleblowing Arrangement

The Group's whistleblowing arrangement includes an externally facilitated multi-lingual hotline 'Express a Concern' through which all employees and third parties can raise concerns in confidence about possible wrong doings in financial reporting and other matters, 24 hours a day by phone or online.

All whistleblowing incidents are reviewed by the Head of Internal Audit and formally investigated by the relevant functional heads depending on the nature of the concern raised.

In 2019, the Audit Committee reviewed the whistleblowing incidents and outcomes and provided updates to the Board which enabled the Board to assess the adequacy of the whistleblowing arrangements and to review the reports arising from its operation. The Board is satisfied that the Group's whistleblowing arrangements are operating effectively.

Division of Responsibilities

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are separate and the division of duties between them is formally established, set out in writing and agreed by the Board. The Chairman is responsible for leadership of the Board and ensuring its effectiveness in all respects. The Executive Directors, led by the Chief Executive Officer, are responsible for the management of the Group's business and the implementation of Group strategy and policy.

Senior Independent Director

Ms. Joan Garahy is the Group's Senior Independent Director (SID). The principal role of the SID is to provide a sounding board for the Chairman and to act as an intermediary for other Directors as required. The SID is responsible for the appraisal of the Chairman's performance throughout the year. She is also available to meet shareholders upon request, in particular if they have concerns that cannot be resolved through the Chairman or the Chief Executive Officer.

Non-Executive Directors

The non-Executive Directors' main responsibilities are to review the performance of management and the Group's financial information, assist in strategy development, and ensure appropriate and effective systems of internal control and risk management are in place. The non-Executive Directors review the relationship with external auditors through the Audit Committee and monitor the remuneration structures and policy through the Remuneration Committee.

The non-Executive Directors provide a valuable breadth of experience and independent judgement to Board discussions.

Company Secretary

Each Director has access to the advice and services of the Company Secretary, whose responsibilities include ensuring that Board procedures are followed, assisting the Chairman in relation to corporate governance matters, ensuring the Company complies with its legal and regulatory obligations and facilitating appropriate quality information flows between the business and the Board.

Time Commitment

Under the terms of their appointment all Directors agreed to the time commitment schedule which requires them to allocate sufficient time to discharge their responsibilities effectively. This matter is considered by the Nomination Committee on an ongoing basis in accordance with its Terms of Reference.

Independence

The Board, as a whole, has assessed the non-Executive Directors' independence and confirmed that, in its opinion, all non-Executive Directors are independent in accordance with the Code. The Board notes that Dr. Hugh Brady and Ms. Joan Garahy serve on the Board of ICON plc. The Board is satisfied that they are able to apply objective and independent judgement to act in the best interest of the Company.

Conflicts of Interest

Under the terms of their appointment all Directors have continuing obligations to update the Chairman as soon as they become aware of a situation that could give rise to a conflict or a potential conflict of interest.

Board Committees

The Board has three Committees, the Audit Committee, the Nomination Committee and the Remuneration Committee, which support the operation of the Board through their focus on specific areas of governance. Each Committee is governed by its terms of reference, available from the Group's website (www.kerrygroup.com) or upon request, which sets out how it should operate including its role, membership, authority and duties. Reports on the activities of the individual Committees are presented to the Board by the respective Committee Chairpersons.

Further details on the duties, operation and activities of all Board Committees can be found in their respective reports on pages 107-139 and these reports form part of the Governance Report.

Meetings and Attendance

The Board meets sufficiently regularly to ensure that all its duties are discharged effectively. All Directors are expected to prepare for and attend meetings of the Board, the Committee of which they are members and the AGM. Should any Director be unable to attend a Board meeting in person, conferencing arrangements are available to facilitate participation. In the event that a Board member cannot attend or participate in the meeting, the Director may discuss and share opinions on agenda items with the Chairman, Chief Executive Officer, Senior Independent Director or Company Secretary in advance of the meeting. During the year, additional Board meetings were convened to discuss strategic acquisition opportunities. As a result a total of 14 meetings were held in 2019, and individual attendance at the Board and Committee meetings is set out in the table below.

Directors	Board	Audit Committee	Nomination Committee	Remuneration Committee
Philip Toomey	14/14	–	4/4	–
Edmond Scanlon *	14/14	–	–	–
Marguerite Larkin *	14/14	–	–	–
Gerry Behan *	14/14	–	–	–
Hugh Brady	13/14	6/6	4/4	–
Gerard Culligan	13/14	–	–	–
Karin Dorrepaal	14/14	–	4/4	4/4
Joan Garahy	13/14	6/6	–	4/4
James C. Kenny	13/14	–	4/4	4/4
Tom Moran	14/14	5/6	–	4/4
Con Murphy	14/14	–	–	–
Christopher Rogers	14/14	6/6	–	–

* Executive Directors

Attendance statistics represent: Total number of meetings attended by the Director / Total number of meetings held during the year.

Composition, Succession and Evaluation

Board Induction and Development

On appointment to the Board, each new non-Executive Director undergoes a full formal induction programme. This induction includes an overview of their duties and responsibilities as a Director, presentations on the Group's operations and results, meetings with key executive management and an outline of the principal risks and uncertainties of the Group.

Throughout the year, the Board as a whole engages in development through a series of consultations with subject matter experts on a range of topics including risk management, corporate governance and strategy. Presentations are also made by Executive Directors and senior management on various topics throughout the year in relation to their areas of responsibility.

On an annual basis, a Board meeting is combined with a comprehensive schedule of activities over a week long period, to allow Directors further develop their understanding of the Group's activities and meet with local senior management and emerging talent. The June 2019 Board meeting was held in Krakow, Poland. The visit focused on Kerry's Taste & Nutrition strategy for Europe and Russia with presentations received on strategy, market updates and trading performance from the Polish, Russian, Eastern Europe and Northern Europe senior management teams. An economic update on the Polish market was also presented by an external industry expert. Representatives from a major customer in Eastern Europe were also invited to present and engage in discussion with the Board on their experience of working with Kerry. While in Poland, the Board hosted a dinner with key stakeholders including employees, customers, representatives of government and trade and enterprise agencies. This provided an informal opportunity for the Board to engage with stakeholders in the local market.

The November Board meeting was held at the Group's Global Technology & Innovation Centre in Naas, Ireland. During the visit, the Board met with the Taste & Nutrition European leadership team who briefed Board members on progress achieved implementing the strategic priorities for growth across all end use markets in the region.

As part of their personal development plans, individual non-Executive Directors were also afforded the opportunity to visit a number of the Group's international facilities and operations. In 2019, the Chairman Mr. Philip Toomey visited sites in Ireland and France, attended the opening of a new manufacturing facility in Tumkur, India, and together with Mr. Christopher Rogers visited the North America Savoury Taste Centre of Excellence and manufacturing facility in Clark, New Jersey, USA.

Individual Board members training requirements are reviewed with the Chairman and Company Secretary and training is provided to address these needs.

Board Performance Evaluation

In accordance with provisions of the Code, a performance evaluation of the Board is carried out annually and facilitated externally every third year.

In 2019, the Board engaged Independent Audit Limited (Independent Audit) to facilitate the performance evaluation. Independent Audit, based in the UK, is recognised as a leading firm of board performance evaluators. Independent Audit has no connections to Kerry Group.

The review, performed during October and November 2019, considered the effectiveness of the Board and its Committees. Independent Audit gathered the views of all Directors, the Company Secretary and a number of senior executives through interviews. In addition, as part of the evaluation process Independent Audit observed the October Board meeting, the November Audit Committee meeting and reviewed Board and Committee papers. The topics covered during the Board performance evaluation included Board composition and succession planning, Board remit and responsibility, Board meetings and communication, strategy, risk, performance and culture. A thorough discussion followed a presentation of the findings made to the Board by Independent Audit at the December Board meeting. Each Committee also considered the observation specific to their work.

The Chairman appraised the performance of each of the non-Executive Directors by meeting each Director individually. The key areas reviewed were independence, contribution and attendance at Board meetings, interaction with Executive Directors, the Company Secretary and senior management, ability to communicate issues of importance and concern, their knowledge and effectiveness at meetings and the overall time and commitment to their role on the Board.

In addition, the Senior Independent Director formally appraised the performance of the Chairman. This appraisal was similar to the non-Executive Director evaluation process which included feedback from all Directors on the Chairman's performance during the year.

During the year, the non-Executive Directors met without the presence of the Executive Directors and, led by the Chairman, undertook a formal review of the performance of the individual Executive Directors.

Overall, the Board concluded that the outcomes of the evaluation process have been positive and have confirmed to the Chairman that the Board and its Committees operate effectively, and that each Director contributes to the overall effectiveness and success of the Group. The actions identified from the 2019 performance evaluation included recommendations to improve certain Board reporting and the approach to specific areas of risk management.

Progress against recommendations from the previous internal evaluation were also considered and the Board is satisfied that improvements have been made which have enhanced the operation and effectiveness of both the Board and its Committees.

The Chairman, along with the Company Secretary, will ensure that actions identified from the 2019 report and areas for consideration arising from the Directors' appraisal, where identified, will be considered during 2020.

Risk Management and Internal Controls

The internal control framework in Kerry Group encompasses the policies, processes, tasks and behaviours, which together facilitate the Group's effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieve its business objectives.

The systems which operate in Kerry Group provide reasonable, but not absolute, assurance on:

- the safeguarding of assets against unauthorised use or disposition; and
- the maintenance of proper accounting records and the reliability of the financial information produced.

The Board has delegated certain duties to the Audit Committee in relation to the ongoing monitoring and review of risk management and internal control systems. The work performed by the Audit Committee is described in its report on pages 107-111.

Full details of the risk management systems are described in the Risk Report on pages 73-75.

The principal risks and uncertainties facing the Group, including those that could threaten the business model, future performance, solvency or liquidity are described on pages 75-88. Emerging risks are also identified, analysed and managed as part of the same process as the Group's other principal risks as described on page 75. The Directors confirm that they have carried out a robust assessment of these risks and the actions that are in place to mitigate them.

The Directors confirm that they have also reviewed the effectiveness of the systems of risk management and internal control which operated during the period covered by these financial statements and up to the date of this report. Based on the review performed, the Directors concluded that for the year ended 31 December 2019, the Group's systems of risk management and internal control were effective. The procedures adopted comply with the guidance contained in Guidance on Risk Management, Internal Control and Related Financial and Business Reporting (2014) as published by the Financial Reporting Council in the UK.

Features of Internal Control in Relation to the Financial Reporting Process

The main features of the internal control and risk management systems of the Group in relation to the financial reporting process include:

- The Board review and approve a detailed annual budget and monitor performance against the budget through periodic Board reporting;
- Prior to submission to the Board with a recommendation to approve, the Audit Committee review the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements;
- Adherence to the Group Code of Conduct and Group policies published on the Group's intranet ensures the key controls in the internal control system are complied with;
- Monthly reporting and financial review meetings are held to review performance at business level ensuring that significant variances between the budget and detailed management accounts are investigated and that remedial action is taken as necessary;
- The Group has a Financial Compliance function to establish compliance polices and monitor compliance across the countries in which the Group operates;
- The Group operates a control self-assessment system covering the key controls for a number of key Financial and Operational functions within the Group;
- A well-resourced and appropriately skilled Finance function is in place throughout the Group;
- Completion of key account reconciliations at reporting unit and Group level;
- Centralised Taxation and Treasury functions and regional Shared Service Centres established to facilitate appropriate segregation of duties;
- The Group Finance Committee has responsibility for raising finance, reviewing foreign currency risk, making decisions on foreign currency and interest rate hedging and managing the Group's relationship with its finance providers;
- The Board, through the Audit Committee, completes an annual assessment of risks and controls;
- Appropriate ICT security environment; and
- The Internal Audit function continually reviews the internal controls and systems and makes recommendations for improvement which are reported to the Audit Committee.

Fair, Balanced and Understandable

The Directors have concluded that the Annual Report and Consolidated Financial Statements, taken as a whole, provides the information necessary for shareholders to assess the Group's and Company's position and performance, business model and strategy and is fair, balanced and understandable. This assessment was completed by the Audit Committee and the activities undertaken in reaching this conclusion are outlined on page 109.

AUDIT COMMITTEE REPORT

Christopher Rogers
Chairman of the Audit Committee

Dear Shareholder,

On behalf of the Audit Committee it is my pleasure to present our report for the year ended 31 December 2019.

The report details how the Audit Committee fulfilled its responsibilities during the year under the 2018 UK Corporate Governance Code and the Irish Annex (the Code) and the 2016 Financial Reporting Council (FRC) Guidance on Audit Committees.

During the year, we continued to focus our efforts on the Committee's core areas of responsibility of maintaining integrity across all aspects of Group financial reporting, internal control, risk management and audit quality. The chart on page 108 outlines the allocation of the Committee's time across these various activities.

The Committee is responsible for assisting the Board in regard to the assessment of the principal risks facing the Group, including reviewing the Group's risk management and internal control systems. The work performed by the Committee in this regard encompassing ongoing monitoring and the review of effectiveness is detailed on page 110.

The Committee is also responsible for monitoring the integrity of the Group's Financial Statements and any formal announcement relating to the Group's financial performance. In addition, the Committee assisted the Board in determining that the Annual Report and Consolidated Financial Statements, when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy. The work completed in this regard is set out on page 109.

As outlined on page 111, the Committee has considered the requirements of the Companies Act 2014 in relation to the Directors' Compliance Statement and is satisfied that appropriate steps have been undertaken by the Company to ensure that it is materially compliant with its relevant obligations.

Our engagement with the Group Internal Audit function and external auditor is detailed on pages 110-111.

An external review of the Committee was conducted by Independent Audit Limited (Independent Audit) during 2019 and the outcome of this review was that the Committee was satisfied that it is operating effectively. Further details are set out on page 108.

In July, together with the Chairman of the Board, Mr. Philip Toomey, I visited the North American Savoury Taste Centre of Excellence and manufacturing facility in Clark, New Jersey, USA and met with key members of the North American leadership team. On a number of occasions during the year I also visited the Global Technology & Innovation Centre in Naas, Ireland where I met with members of senior management and the Group Internal Audit team.

I trust you will find this report useful in understanding the operation and activities of the Committee during the year. I will be available to shareholders at the forthcoming AGM to answer any questions relating to the role of the Committee.

Christopher Rogers
Chairman of the Audit Committee

Roles and Responsibilities

The main roles and responsibilities of the Committee, which reflect the Code and the Guidance on Audit Committees, are set out in its written terms of reference which are available from the Group's website www.kerrygroup.com or upon request.

The key responsibilities outlined in the terms of reference are included in the table below:

Primary Responsibilities of the Audit Committee

- Ensuring the interests of shareholders are properly protected in relation to financial reporting and internal control;
- Assisting the Board in executing its duties in relation to risk management and oversight and monitoring of internal controls;
- Monitoring the work of the Internal Audit function and ensuring that it is operating effectively;
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the Group's external auditor as well as monitoring their effectiveness and independence;
- Reviewing the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and considering the appropriateness of accounting policies and practices;
- Advising the Board on whether it believes there are any material uncertainties that may impact the Group's ability to continue as a going concern or impact the Group's long term viability;
- Advising the Board on whether the Annual Report and Consolidated Financial Statements, when taken as a whole is fair, balanced and understandable;
- Supporting the Board in assessing the effectiveness of the Group's whistleblowing arrangements; and
- Advising the Board in relation to compliance with stock exchange and other legal or regulatory requirements.

During the year, the Audit Committee Chairman provided a letter to the Board outlining how the Committee discharged its duties in 2019.

Committee Membership

During 2019, the Audit Committee comprised four independent non-Executive Directors; Dr. Hugh Brady, Ms. Joan Garahy, Mr. Tom Moran and was chaired by Mr. Christopher Rogers.

As required by the Code, the Board is satisfied that both Mr. Christopher Rogers and Ms. Joan Garahy meet the requirements for recent and relevant financial experience. The Board is satisfied that together, the members of the Committee, as set out in their biographical details on page 91, bring a broad range of relevant experience and expertise, from a wide variety of industries and backgrounds, and as a whole have competence relevant to the sectors in which the Group operates. The Company Secretary is the Secretary of the Committee.

Committee Meetings

The Committee met six times during the year and attendance at these meetings is detailed on page 104.

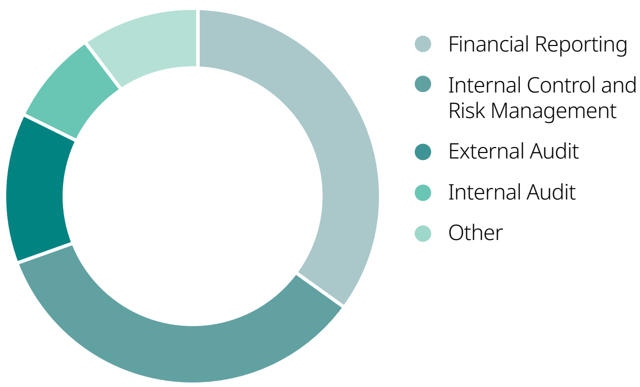
Typically, the Chief Executive Officer, the Chief Financial Officer, the Group Financial Controller, the Company Secretary and the Head of Internal Audit, as well as representatives of the external auditor are invited to attend meetings of the Committee. In addition, the Chairman of the Board attends meetings at the invitation of the Committee. When required, other key executives and senior management are invited to attend meetings to provide a deeper insight on agenda items related to the Group's principal risks.

The Committee meet with the external auditor and the Head of Internal Audit, without other executive management being present, on an annual basis in order to discuss any issues which may have arisen in the year under review.

After each Committee meeting, the Chairman of the Committee reports to the Board on the key issues which have been discussed.

The allocation of the Audit Committee's time across each of its key activities is detailed below.

Allocation of Time



Committee Evaluation

As outlined in detail on page 105, an external review of the Board and its Committees took place in 2019. This process was externally facilitated by Independent Audit. The evaluation was carried out based on interviews held between Independent Audit and the Chair, Committee members and the Head of Internal Audit. In addition, as part of the evaluation process, Independent Audit observed the November Committee meeting and reviewed the corresponding papers. The Committee considered the outcome of this review and a number of recommendations were agreed relating to the Group's approach to specific areas of risk management which will form part of the agenda for the Committee meetings in the coming year.

During the year, the Audit Committee also completed an internal review of its own effectiveness. On the basis of both the external and internal reviews, the Audit Committee was deemed to have operated effectively during the period under review. The Committee is satisfied that formal and transparent arrangements exist for considering corporate reporting, risk management, internal control principles and for maintaining an appropriate relationship with the Group's external auditor.

Key Activities

Financial Reporting and Significant Financial Judgements

The Audit Committee reviewed the Interim Management Statements, the Interim and Annual Consolidated Financial Statements and all formal announcements relating to these statements before submitting them to the Board of Directors with a recommendation to approve. These reviews focused on, but were not limited to:

- the appropriateness and consistency of accounting policies and practices;
- the going concern assumption;
- compliance with applicable financial reporting standards, corporate governance requirements and the clarity and completeness of disclosures; and
- significant areas in which judgement had been applied in the preparation of the Consolidated Financial Statements in accordance with the accounting policies.

A key responsibility of the Committee is to consider the significant areas of complexity, management judgement and estimation that have been applied in the preparation of the Consolidated Financial Statements. The Committee has, with the support of PwC as external auditor, reviewed the suitability of the accounting policies which have been adopted and whether management have made appropriate judgements and disclosures. The table below sets out the significant matters considered by the Committee in relation to the Consolidated Financial Statements for the year ended 31 December 2019.

Fair, Balanced and Understandable

At the request of the Board, the Audit Committee reviewed the content of the Annual Report to ensure that it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy.

In satisfying this responsibility, the Committee considered the following:

- the timetable for the co-ordination and preparation of the Annual Report and Consolidated Financial Statements, including key milestones as presented at the December Audit Committee meeting;
- the systematic approach to review and sign-off carried out by senior management with a focus on consistency and balance;
- a detailed report from senior finance management was presented to the Audit Committee outlining the process through which they assessed the narrative and financial sections of the 2019 Annual Report to ensure that the criteria of fair, balanced and understandable has been achieved; and
- the draft Annual Report and Consolidated Financial Statements were available to the Audit Committee in sufficient time for review in advance of the Committee meeting to facilitate adequate discussion at the meeting.

Having considered the above, in conjunction with the consistency of the various elements of the reports, the narrative reporting and the language used, the Committee confirmed to the Board that the Annual Report and Consolidated Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and the Company's position, performance, business model and strategy.

Significant Financial Reporting Judgements	
Business Combinations	The Group acquired eleven businesses during the financial year which were accounted for as business combinations. The Committee reviewed the methodology and assumptions applied in determining these provisionally estimated fair values and found the methodology and assumptions to be appropriate following discussion with senior management and the external auditor.
Impairment of Goodwill and Indefinite Life Intangible Assets	Goodwill and indefinite life intangible assets, as disclosed in note 12 to the Consolidated Financial Statements, represents the largest number on the Group balance sheet at €3.9 billion. The Committee considered the process to complete the annual impairment review of the Group's goodwill and indefinite life intangible assets and specifically the assumptions used for the future cash flows, discount rates, terminal values and growth rates. The Committee found that the methodology used for the above valuation and annual impairment review are appropriate following discussions with senior management and the external auditor.
Taxation	Significant judgement and a high degree of estimation is required when arriving at the Group's tax charge and liability. The Committee, in conjunction with tax professionals, reviewed and discussed the basis for the judgments in relation to uncertain tax positions and challenged management on their assertions and also considered the outcome of the external auditors' review of the tax charge and liability. As a result, the Committee believes the impact of uncertain tax positions has been appropriately reflected in the tax charge and liability.

Internal Control and Risk Management

The Audit Committee supports the Board in its duties to review and monitor, on an ongoing basis, the effectiveness of the Group's risk management and internal control systems. A detailed overview of the Group's risk management framework is set out in the Risk Report on pages 73-75.

Throughout the year, the Committee:
- reviewed and approved the assessment of the principal risks and uncertainties, including emerging risks, that could impact the achievement of the Group's strategic objectives as described on pages 76-87;
- received presentations on a selection of principal risks and discussed with senior management the material internal controls that exist to mitigate these to levels within the Group's risk appetite;
- reviewed quarterly reports from the Head of Internal Audit based on internal audits completed outlining non-compliances with Group controls and managements' action plans to address them;
- considered reports from the Head of Internal Audit on fraud investigations or other significant control matters which occurred during the year and approved plans to address and remediate the issues identified;
- received updates from the Group Financial Controller on any control weaknesses identified through monthly financial review meetings;
- considered the results of the Kerry Control Reporting System (the internal control self-assessment review of material finance, operational and compliance controls) and concluded that the controls are operating effectively;
- assessed the Group's risk management and internal control framework in line with the FRC Guidance on Risk Management, Internal Control and Related Financial and Business Reporting; and
- reviewed the report from the external auditor in respect of significant financial accounting and reporting issues, together with significant internal control weakness observations.

The Audit Committee, having assessed the above information, is satisfied that the internal control and risk management framework is operating effectively and has reported this opinion to the Board.

Internal Audit

The Audit Committee is responsible for monitoring and reviewing the operation and effectiveness of the Internal Audit function including its focus, plans, activities and resources. To fulfil these duties the Committee:
- reviewed and approved the Group Internal Audit function's strategy and annual plan to ensure alignment with the Group's principal risks;
- considered and were satisfied that the competencies, experience and level of resources within the Internal Audit team were adequate to achieve the proposed plan;
- considered the role and effectiveness of internal audit in the overall context of the Group's risk management framework and was satisfied that the function has appropriate standing within the Group;
- received quarterly updates from the Head of Internal Audit on progress against the agreed plan including the results of internal audit reports and management's actions to remediate issues identified;
- received updates on the nature and extent of non-audit activity performed by internal audit;
- held a meeting with the Head of Internal Audit without the presence of management;
- ensured that the Head of Internal Audit had regular meetings with the Chairman of the Audit Committee and had access to the Chairman of the Board if required; and
- ensured co-ordination between Group Internal Audit and the external auditor to maximise the benefits from clear communication and co-ordinated activities.

In order to comply with the Chartered Institute of Internal Auditors (CIIA) requirements, an External Quality Assessment (EQA) by an independent body is conducted at least every five years to confirm conformance with the International Professional Practice Framework (IPPF) of the CIIA. The most recent EQA was completed in 2017 and the next review will be completed in 2022. On an annual basis, to ensure ongoing compliance with the IPPF, the Internal Audit function has a Quality Assurance and Improvement Program (QAIP) in place.

On the basis of the above the Committee concluded that for 2019 the Internal Audit function operated effectively and is satisfied that the quality, experience and expertise of the function is appropriate for the Group.

External Auditor

On behalf of the Board, the Audit Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. This includes making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, assessing their independence and effectiveness and approving the audit fee.

During the year, the Committee met with the external auditor without management present to discuss any issues that may have arisen during the audit of the Group's Consolidated Financial Statements.

Independence and Provision of Non-Audit Services

The Committee is responsible for ensuring that the external auditor is independent and for implementing appropriate safeguards where the external auditor also provides non-audit services to the Group.

PwC confirmed to the Audit Committee that they are independent from the Group under the requirements of the Irish Auditing and Accounting Supervisory Authority's Ethical Standards for Auditors. The current audit lead engagement partner on the Group's audit is John McDonnell who was appointed in 2016 and it is planned that he will rotate off the team at the end of the audit of the results for financial year 2020 in order to ensure continued independence and objectivity.

In accordance with the Group's policy on the hiring of former employees of the current external auditor, the Committee reviews and approves any appointment of an individual, within three years of having previously been employed by the current external auditor, to a senior managerial position in the Group.

A formal policy governing the provision of non-audit services by the external auditor is in place and this policy is reviewed and approved by the Audit Committee on an annual basis. This policy is designed to safeguard the objectivity and independence of the external auditor and to prevent the provision of services which could result in a potential conflict of interest. The policy outlines the services that can be provided by the external auditor, the relevant approval process for these services, and those services which the external auditor is prohibited from providing (as outlined in Article 5 of EU Regulation 537/2014). Prohibited services include activities such as certain tax services, book-keeping and work relating to the preparation of accounting records and financial statements that will ultimately be subject to external audit, financial information system design and implementation, internal auditing and any work where a mutuality of interest is created that could compromise the independence of the external auditors.

In 2019, all non-audit services and fees were approved by the Audit Committee in line with policy. The Committee is satisfied that the non-audit fees paid to PwC, which were minimal, did not compromise their independence or objectivity. Full details of the fees paid to the external auditors during the year are outlined in note 3 to the financial statements. Having considered all of the above, the Committee concluded that the Group's external auditor is independent.

Effectiveness

Post completion of the 2018 audit, in conjunction with PwC, review meetings were held with senior finance management across all regions and it was confirmed by both parties that no issues had arisen during the audit process.

At the November Audit Committee meeting, PwC outlined to the Committee in detail the external audit plan. The Committee discussed the significant audit risks and key audit matters, audit scope and materiality amongst other matters. The Audit Committee agreed that the plan and the materiality at which any misstatements should be reported by PwC to the Committee was appropriate.

Prior to the finalisation of the 2019 Consolidated Financial Statements, the Audit Committee received a detailed presentation and final report from PwC. The Committee also considered feedback from the lead partner and senior executives in concluding that PwC effectively delivered against the objectives of the agreed audit plan.

In assessing the effectiveness of the external auditor, the Audit Committee also considered the following:

- the quality of presentations to the Board and Audit Committee;
- the technical insights provided relevant to the Group; and
- their demonstration of a clear understanding of the Group's business and key risks.

On the basis of the above the Committee is satisfied with the effectiveness of the external auditors.

Appointment

PwC were appointed as Group auditor in March 2016 following a comprehensive tender process which was overseen by the Audit Committee. On an annual basis, the Committee reviews the appointment of the external auditor, taking into account the auditor's effectiveness and independence. On that basis, the Committee recommended to the Board that PwC should continue in office as the auditor to the Group in respect of the year ending 31 December 2020.

The Audit Committee approved the remuneration of the external auditor, details of which are set out in note 3 to the Consolidated Financial Statements.

Directors' Compliance Statement

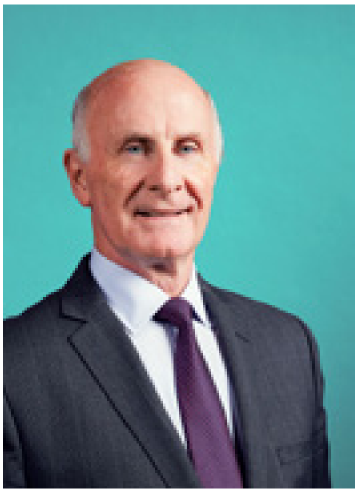
During the year, the Audit Committee reviewed the appropriateness of the Directors' Compliance Policy Statement and also received a report from senior management on the review undertaken during the financial year of the compliance structures and arrangements in place to ensure the Company's material compliance with its relevant obligations. On the basis of this review, the Committee confirmed to the Board that in its opinion the Company is in material compliance with its relevant obligations.

Whistleblowing and Fraud Arrangements

In accordance with the Provisions of the Code, the responsibility for overseeing whistleblowing is within the remit of the Board. During 2019, at the request of the Board, the Committee considered the Group's whistleblowing arrangements and assisted the Board in its assessment of the adequacy of these arrangements. Details of the Group's whistleblowing arrangements are outlined in the Corporate Governance Report on page 103.

The Committee also considered the Group's procedures for fraud prevention and detection to ensure that these arrangements allow for the proportionate and independent investigation of such matters and appropriate follow up action. Following this review, the Audit Committee confirmed to the Board that it was satisfied that the Group's fraud prevention procedures were adequate.

NOMINATION COMMITTEE REPORT



Philip Toomey
Chairman of the
Nomination Committee

Dear Shareholder,

On behalf of the Nomination Committee, I am pleased to present our report for the year ended 31 December 2019. This report sets out the Committee's key activities in 2019 as well as the Committee's priorities for 2020.

The Nomination Committee is responsible for evaluating the structure, size, composition and successional needs of the Board and its Committees and making recommendations on same, with due regard for Board diversity. Additionally, the Committee is responsible for the review of the results of the annual Board evaluation process as it relates to the Board and Committee performance and composition.

During the year under review, the Committee continued to lead the Board refreshment process ensuring that the composition of the Board and its Committees has the correct balance of skills, knowledge, experience, diversity and independence, and that a pipeline of appropriate talent has been identified. The Committee engaged with independent external search consultants to identify an appropriate pipeline of new independent non-Executive Directors.

The Committee also reviewed senior management development and succession plans whilst having regard to diversity below Board level and taking account of business growth and geographic expansion.

During 2019, the Committee reviewed the Company's corporate governance policy and processes in the context of the 2018 UK Corporate Governance Code (the new Code) and implemented appropriate changes. These changes included appointing a designated workforce engagement Director and ensuring that an orderly succession for senior management, having regard to diversity targets, exists. The Committee also considered changes implemented by the Board and other Committees to comply with the requirements of the new Code.

An external review of the effectiveness of the Board and its Committees was facilitated by Independent Audit Limited during 2019 and the outcome of this review is that the Board and its Committees consider that they are operating effectively.

The Committee's priorities for the coming year will focus on Board refreshment taking account of all skill sets required, diversity and planned retirements over the coming years, as well as ensuring that senior management development and succession planning can support the delivery of Group strategy. The Committee will also continue to focus on diversity and inclusion in the wider workforce.

Philip Toomey
Chairman of the Nomination Committee

Role and Responsibilities

The main roles and responsibilities of the Committee, which were reviewed during 2019, are set out in written terms of reference which are available from the Group's website www.kerrygroup.com or upon request.

The key responsibilities outlined in the terms of reference are included in the following table:

Primary Responsibilities of the Nomination Committee

- Evaluating the balance of skills, experience, independence, knowledge and diversity of the Board to ensure optimum size and composition;
- Ensuring an appropriate nomination process is in place for Board appointments;
- Ensuring a formal induction plan is in place for each new Director on appointment;
- Reviewing a candidate's other commitments to ensure that on appointment, a candidate has sufficient time to undertake the role;
- Reviewing the Board diversity policy;
- Making recommendations to the Board on the appointment and re-appointment of both Executive and non-Executive Directors;
- Making recommendations to the Board concerning membership of Board Committees in consultation with the Chairs of the Committees;
- Ensuring plans and processes are in place for succession planning for Directors, including the Chairman, Senior Independent Director, non-Executive Directors and senior management positions; and
- Overseeing the conduct of the annual evaluation of the Board and its Committees.

The Chairman of the Board or an independent non-Executive Director of the Company acts as the Chairman of the Committee. The Chairman of the Board does not chair the Committee when it is dealing with the matter of succession to the Chairmanship.

Committee Membership

During 2019, the Nomination Committee comprised three independent non-Executive Directors; Dr. Hugh Brady, Dr. Karin Dorrepaal, Mr. James C. Kenny and was chaired by Mr. Philip Toomey.

The Board ensures that the membership of the Nomination Committee is refreshed in accordance with the Group's Corporate Governance Policy. The quorum for Committee meetings is two and only Committee members are entitled to attend. The Nomination Committee may extend an invitation to other persons to attend meetings or to be present for particular agenda items as required. The Company Secretary acts as Secretary of the Committee.

During 2019, the Committee continued to work with Spencer Stuart, an international specialist recruitment firm, to assist with Board refreshment. Spencer Stuart has no other connection to the Group.

Committee Meetings

The Committee met four times during the year and attendance at these meetings is outlined on page 104.

Nomination Process

There is a formal, rigorous and transparent procedure determining the nomination for appointment of new Directors to the Board. Candidates are identified and selected on merit against objective criteria and with due regard to the benefits of diversity on the Board. The Committee engages specialist recruitment consultants to assist in the identification and selection process. The Committee makes recommendations to the Board concerning appointments of Executive or non-Executive Directors, having considered the blend of skills, experience, independence and diversity deemed appropriate and reflecting the global nature of the Group.

The Nomination Committee also makes recommendations to the Board concerning the re-appointment of any non-Executive Director at the conclusion of their specified term and the re-election of all Directors who are the subject of annual rotation. The terms and conditions of appointment of non-Executive Directors are set out in formal letters of appointment, which are available for inspection at the Company's registered office during normal office hours and at the AGM of the Company.

The key stages in the nomination process are outlined in the following diagram:

1. Assessment	– The Nomination Committee conducts Board Evaluation – Considers the skill set, experience, balance and diversity of the Board
2. Requirement	– If a requirement is identified, the Committee prepares a detailed job description outlining the particular skills and experience required
3. Search	– Conducts search through third party search agency, Directors or other stakeholders – Search based on job description identified
4. Screening	– Screening carried out by third party as selected by the Committee
5. Interview	– Interview and selection process led by the Committee – Results are reviewed by the Committee who select candidates and recommend them to the Board for approval
6. Approval	– Board of Directors consider the candidate(s) recommended by the Committee and approve the candidate(s) – In accordance with the Articles of Association, all newly appointed Directors are subject to election at the AGM following their appointment

Board Refreshment Policy

On an ongoing basis, the Nomination Committee reviews and assesses the structure, size, composition, diversity and overall balance of the Board and makes recommendations to the Board with regard to refreshment.

Appointments to the Board are for a three year period, subject to shareholder approval and annual re-election, after consideration of annual performance evaluation and statutory provisions relating to the removal of a Director. The Board may appoint such Directors for a further term not exceeding three years and may consider an additional term if deemed appropriate.

During the year, the Chairman conducted a rigorous review of all other non-Executive Directors as part of the Board evaluation process, taking into account the need for progressive refreshment of the Board. The Board explains to shareholders, in the papers accompanying the resolutions to elect and re-elect the non-Executive Directors, why it believes the individual should be re-elected based on the results of the formal performance evaluation.

Succession Planning

The Nomination Committee reviews the succession plans for the Board and its Committees on an ongoing basis to ensure an orderly refreshment of membership, taking into account Group strategy, the challenges and opportuntities facing the Group and the skills, knowledge and experience required.

The Committee also reviews succession plans for senior management, which form part of the Group's overall annual approach to succession planning and agrees these with the Chief Executive Officer before being presented to the Board. The succession planning process includes defining success criteria for key roles, identifying and evaluating candidate pools and aligning development activities with individual and business needs to ensure leadership continuity and improve the depth of the leadership succession pipeline. This process is fully documented and monitored throughout the year in conjunction with the Committee.

Diversity Policy

Diversity is fully embraced at Kerry and the Group is committed to having a work environment that is respectful of everyone. In order to achieve a positive and productive workplace, all employees must work together and realise each individual has something unique to contribute to the overall success of Kerry.

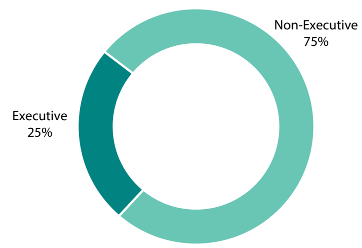
The Group's Diversity, Inclusion and Belonging Policy is an integral part of the Group Code of Conduct ensuring that diversity and inclusion are embedded in Kerry Group's core Values. Within this, the Group seeks to recruit, hire and retain the best talent from a diverse mix of gender, background, nationality, ethnicity and other attributes with the skills and experiences to drive innovative thinking to enable a sustained competitive advantage.

The Board believes in the benefits of having a diverse Board and the value that it can bring to its effective operation. In accordance with the Board Diversity Policy, differences in background, gender, skills, experiences, nationality, ethnicity and other attributes are considered in determining the optimum composition of the Board with the aim to balance it appropriately. All Board appointments are made on merit, with due regard to diversity. The Board currently has a 25% female representation. In line with its diversity policy, and recommended best practice, the Board's ambition is to increase this number further. The Board also has an ambition to increase the representation of members with diverse factors such as nationality, ethnicity and other attributes. In reviewing Board composition and agreeing a job specification for new non-Executive Director appointments, the Committee considers the benefits of all aspects of diversity including, but not limited to, those described above, in order to complement the range and balance of skills, knowledge and experience on the Board. As part of the identification process external search consultants are required to present a list of potential candidates, who meet the stated specification and requirements comprising candidates of diverse backgrounds, for consideration by the Committee.

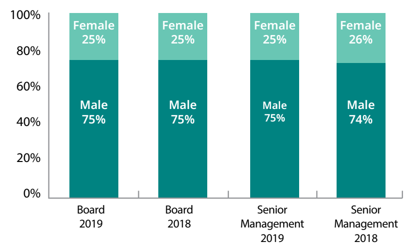
During 2019, diversity targets for the senior management succession pipeline were agreed with the Executive Directors and approved by the Board to ensure the leadership teams and internal talent pipelines better reflect the broader mix of people within the Group. Further details of the Group Diversity, Inclusion and Belonging Policy, and the activities undertaken on diversity and inclusion are outlined in Our People on page 20.

A summary of the Group's current position relating to Board and senior management diversity is provided below:

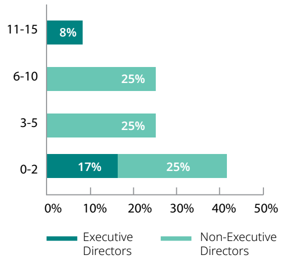
Executive / Non-Executive Directors



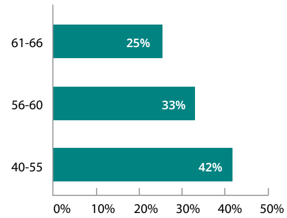
Diversity



Board Tenure (Years)



Board Age Profile



Key Activities

The key activities of the Committee throughout the year are detailed below:

Subject	Committee Activity
Board Refreshment	There were no changes to the Board during the year. The Committee continues to consider Board refreshment and build a succesion pipeline taking account of all skill sets required, diversity and planned retirements over the coming years. The Committee engaged with independent external search consultants Spencer Stuart to assist and advise on the strategy for Board succession and refreshment in the future.
Committee Refreshment	There were no changes to the composition of the Board Committees during the year. The Committee will continue to consider Committee refreshment over the coming years.
Board Size and Composition	In 2019, as part of its remit, the Committee considered the size and composition of the Board. At 31 December 2019, the Board comprised 12 members. The Committee will continue to consider both Board size and composition during 2020.
Re-appointment of Chairman	During the year, Mr. Philip Toomey completed his current term as non-Executive Director and Chairman. After detailed consideration, including a review of his performance and tenure, the Board, upon the recommendation of the Committee agreed that he should serve an additional term.
Re-appointment of non-Executive Directors	During the year, Mr. James Kenny and Ms. Joan Garahy each completed their current terms as non-Executive Directors. After detailed consideration, including a review of their performance and independence, the Board, upon the recommendation of the Committee, agreed that they should serve additional terms.
Re-election of Directors	The Committee recommended that all Directors, subject to and seeking re-election, be put forward for re-election at the Group's next AGM.
Board and Committees Effectiveness Evaluation	As outlined in detail on page 105, an external evaluation of the Board and its Committees took place in 2019. The Committee agreed the terms of reference for the evaluation of the Board and its Committees. This process was externally facilitated by Independent Audit. The evaluation was carried out based on interviews held between Independent Audit and the Chair, Board members, the Company Secretary and other senior executives. Independent Audit observed the October Board meeting, the November Audit Committee meeting and reviewed Board and Committee papers. A thorough discussion followed a presentation of the findings made to the Board by Independent Audit at the December Board meeting. The Committee considered the outcome of this review. Each recommendation was assessed and an action plan was developed to address areas for potential improvement. These recommendations will form part of the agenda for Committee meetings in the coming year. The conclusion from the evaluation process is that the Board and its Committees, have operated effectively during the period under review.
Senior Management Development and Succession	During the year, the Committee reviewed senior management development and succession plans having regard to agreed diversity targets to ensure the appropriate level of skills and diversity will exist to support the delivery of the Group's strategy.
Corporate Governance Review	During 2019, the Committee reviewed the Company's corporate governance policy in the context of the 2018 UK Corporate Governance Code, with particular reference to new guidance in respect of Board and management diversity, director independence, Purpose, assessing and monitoring culture and effective engagement with stakeholders including the workforce. On the recommendation of the Committee, Mr. Tom Moran was appointed designated workforce engagement Director.
Terms of Reference	During the year, the Committee reviewed and updated its Terms of Reference. A copy of these terms is available on the Group website www.kerrygroup.com.

REMUNERATION COMMITTEE REPORT

Joan Garahy
Chairperson of the
Remuneration Committee

Section A: Chairperson's Annual Statement

Dear Shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2019.

Remuneration Policy

The Group's Remuneration Policy is outlined in Section C on pages 121-126. This Policy provides the framework for remuneration decisions made by the Committee for the three year period 2018 - 2020. The Committee is confident that the Group's Remuneration Policy operates to the highest standards in achieving its strategic objectives, is properly governed and is in line with applicable best market practice. Furthermore, it ensures that Executive Director remuneration is aligned to the Group's Purpose and Values and can be clearly linked to the successful delivery of the Group's strategy.

As an Irish incorporated company Kerry is not required to comply with the UK legislation which requires UK companies to submit their remuneration policies to a binding shareholder vote every three years. However, as a matter of best corporate governance practice, we submitted our Remuneration Policy to a non-binding advisory vote at the 2018 Annual General Meeting (AGM).

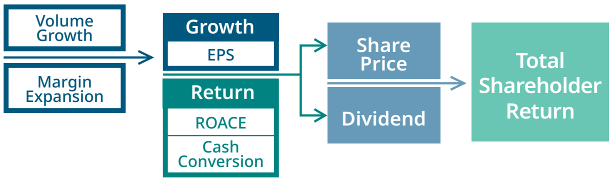
The Committee is satisfied that the policy has operated as intended and that no changes are needed as a result of a review of its operation in 2019 or for any other reason. No changes are therefore proposed for this year. The Committee will undertake a full review of the policy in 2020 in order to bring the policy to shareholders at our 2021 AGM which is the third anniversary of shareholders approving our current policy. As part of the policy review the Committee will take into account the requirements of the EU Shareholders' Rights Directive which we expect will be transposed into Irish law during the course of 2020 as well as the requirements of the 2018 UK Corporate Governance Code to which I refer further below.

2018 UK Corporate Governance Code

During 2019, the Committee broadened its remit and implemented the other new requirements of the 2018 UK Corporate Governance Code other than those which may result in structural changes to the Remuneration Policy. The Committee will give careful consideration to these requirements as part of the policy review which will be undertaken in 2020.

The Committee has agreed that for new appointments to the Board pension contribution rates, or payments in lieu, will be aligned with those available to the majority of the workforce in their country of appointment.

Drivers of Shareholder Return



Pay for Performance

The Committee ensures alignment with shareholders' long term interests by aligning remuneration metrics with the Group's business model and strategic objectives and by ensuring sufficient stretch in the performance targets.

Drivers of Shareholder Return

As outlined in the Strategic Report on page 32, Volume Growth and Margin Expansion are the main drivers of Adjusted Earnings Per Share (EPS) which is the key performance metric for measuring growth. Return on Average Capital Employed (ROACE) is a key measure of how efficiently the Group employs its available capital. Cash Conversion is an important indicator of the cash the Group generates for reinvestment or for return to shareholders.

These are the main Group metrics which drive the Executive Director's Short Term Incentive Plan (STIP) and Long Term Incentive Plan (LTIP). Together these metrics deliver Total Shareholder Return which aligns the interest of the Executive Directors with that of the shareholders. Our remuneration philosophy also supports our long term approach by deferring a significant part of annual and long term variable remuneration into share awards, which provides clear alignment with the long term interests of shareholders, together with requiring executives to acquire and maintain significant shareholdings in the Group.

In line with best market practice, malus and clawback provisions apply to the Executive Director's STIP and LTIP awards.

Remuneration Policy Implementation 2020

During 2019, the Committee considered the operation of the policy to ensure it is aligned with shareholder interests, promotes long term sustainable success and can be clearly linked to the successful delivery of the Group's Purpose, Values and long term strategy. The Committee considered, as part of its review, the remuneration and policies applicable to the general workforce. The Committee concluded that no changes are required to the operation of the policy for 2020.

Basic Salary

For 2020, the basic salaries of the Executive Directors will be increased in line with increases for the general workforce (a range of 2.5% - 3%) in Ireland and the US respectively.

2020 Short and Long Term Incentive Plans

As part of its review, the Committee considered the performance metrics, weightings and target calibration for the STIP and LTIP incentive schemes to ensure that they continue to support the strategic plan and long term sustainable success of the Group. The Committee concluded, following the review, that the schemes are operating as intended and no changes will be made to the metrics and weightings for 2020. Annual bonus maximum opportunity and the LTIP award levels will also remain unchanged for 2020.

Non-Executive Director Fees for 2020

The last review of non-Executive Director Remuneration levels was undertaken in 2017 and increases were made effective from 1 January 2018. There are no proposed changes to either the Chairman's or other non-Executive Directors fees and Committee fees for 2020.

During 2019, the Board approved the appointment of Mr. Tom Moran as the designated workforce engagement Director. The Committee approved an additional annual fee of €12,000 for this position. The Committee plans to undertake a review of the non-Executive Directors' remuneration policy and fee levels in 2020.

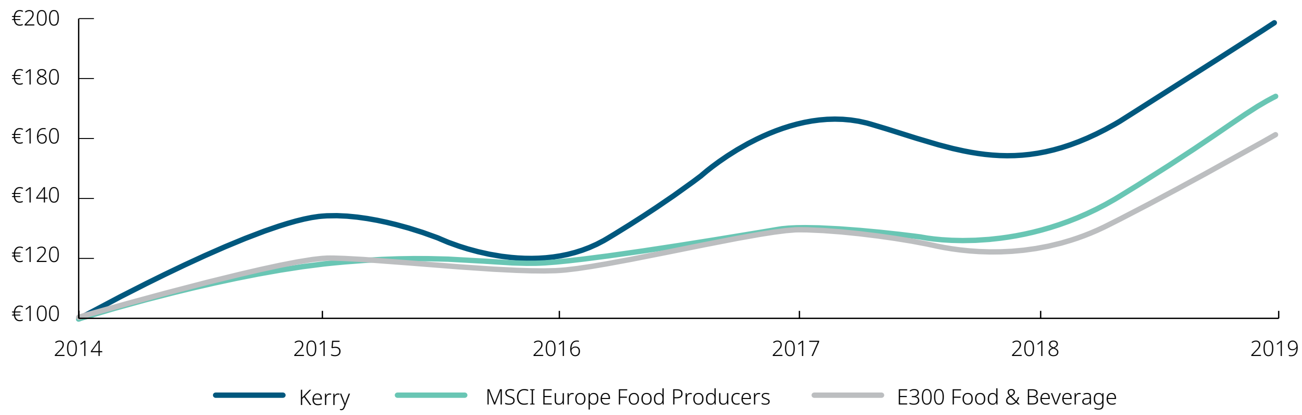
Remuneration Policy Outturn 2019

In 2019, the Group delivered a good financial performance with constant currency adjusted earnings per share growth of 8.3% driven by volume growth, well ahead of our markets, and a 30bps expansion in trading margin. The performance table below shows the performance versus target for the key metrics in our STIP and LTIP plans.

2019 STIP Performance	Target	Results	2017-19 LTIP Performance (3 years)	Target	Results
Group volume growth	3.0%	2.8%	Adjusted EPS growth in constant currency	10%	8.8%
Group margin expansion	20 bps	30 bps	Total Shareholder Return	Median to 75th percentile	Top Quartile
Group cash conversion	70%	73.9%	ROACE	12%	12.3%

As can be seen in the Total Shareholder Return graph Kerry has generated a 100% return for shareholders (including reinvestment of dividends) over the last 5 years.

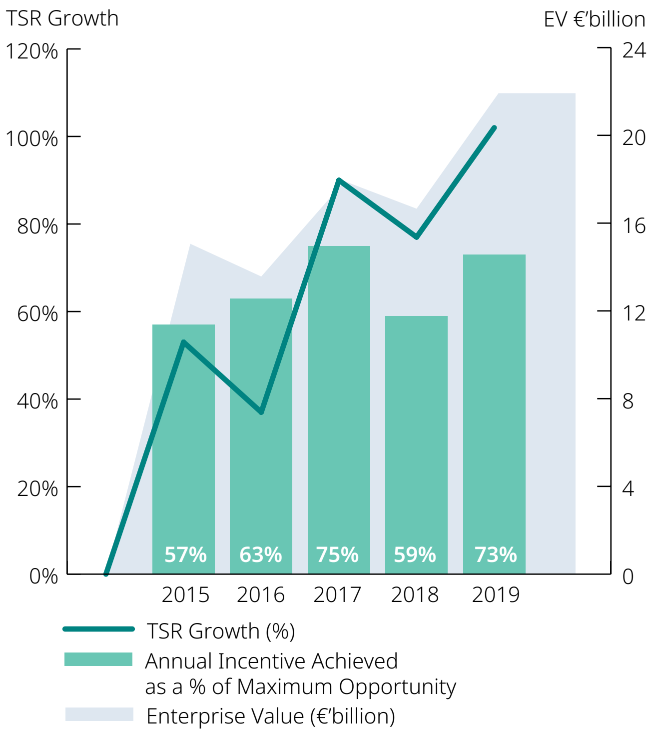
5 Year Total Shareholder Return (Value of €100 Invested on 31/12/2014)



2019 Short Term Incentive Plan Outturn

The accompanying chart, which shows the very good Group performance over the last 5 years, also illustrates the challenging and stretching nature of targets set by the Committee for performance metrics used for annual incentive purposes.

TSR Growth, Enterprise Value Growth & Annual Incentive Payout



For 2019, STIP payouts to Executive Directors were on average 73% of the maximum available opportunity. The Committee exercised independent judgement when authorising this outcome and considers it to be reflective of the Group's and the individual Executive Directors' performance during the year as well as the challenging and stretching nature of the targets set.

Long Term Incentive Plan 2017-2019 Outturn

The final outturn of the 2017-19 LTIP award was 62.8% of maximum opportunity. The Committee exercised independent judgement when authorising this outcome and considers it to be reflective of the Group's underlying performance during the three year performance period.

CEO Pay Ratio

While not a requirement for Irish listed companies, in line with the Group's commitment that its remuneration policies, practices and reporting reflect best corporate governance practices the Committee has quantified and disclosed the CEO pay ratio in this year's report.

Discretion

The Committee is satisfied, in reviewing the remuneration for 2019 against performance that there has been an appropriate link between reward and performance and that discretion did not need to be used. In assessing performance, the Committee considered relevant environmental, social, and governance matters that it needed to take account of when reviewing the remuneration outcomes.

Other Matters

Appointment of Remuneration Committee Advisor

During 2019, the Committee completed a formal tender process for the appointment of its advisor which included a number of leading remuneration advisory firms. Following the conclusion of this process, the Committee selected Korn Ferry as its Remuneration Advisor and they assumed the role with effect from 16 September 2019.

Committee Performance

An external review of the Committee was conducted by Independent Audit Limited during 2019 and the outcome of this review was that the Committee is operating effectively. Further details are set out on page 105.

Conclusion

The Committee continues to review the Group's remuneration policy to ensure that it remains aligned to long term shareholders' interests, is correctly reported in line with relevant legislation and provides the right framework to attract, retain and motivate the Executive Directors in line with the pay for performance principle.

As in previous years, the Remuneration Report is being put to shareholders for an advisory vote. Last year 94.4% of our shareholders who voted, voted in favour of the Report and I hope our shareholders continue their support at this year's AGM.

Finally, I would like to take this opportunity to thank the members of the Remuneration Committee for their continued commitment and support during the year.

Joan Garahy
Chairperson of the Remuneration Committee

Section B: Remuneration Committee & Key Activities

Committee Membership

During 2019, the Remuneration Committee comprised four independent non-Executive Directors; Mr. James C. Kenny, Dr. Karin Dorrepaal, Mr. Tom Moran and was chaired by Ms. Joan Garahy. Details of the skills and experience of the Directors are contained in the Directors' biographies on pages 90-91.

Role and Responsibilities

On behalf of the Board, the Remuneration Committee is responsible for determining the remuneration policy for the CEO and other Executive Directors and, following the new Code, senior management on an annual basis. The CEO is invited to attend Remuneration Committee meetings but does not attend Committee meetings when his own remuneration is discussed. The Committee also has access to internal and external professional advice as required. The Committee follows an annual and tri-annual calendar with matters scheduled and planned well in advance. Decisions are made within agreed reference terms, with additional meetings held as required. In considering the agenda, the Committee gives due regard to overall business strategy, the interests of shareholders and the performance of the Group. The main responsibilities of the Committee, which were reviewed during 2019, are set out in written terms of reference which are available from the Group's website www.kerrygroup.com or upon request.

Primary Responsibilities of the Remuneration Committee

- To determine the remuneration policy for, and set the remuneration of the CEO, Executive Directors and senior management;
- To review the remuneration of the Chairman;
- To receive the recommendations of the CEO and set the salaries and overall remuneration of senior management;
- To review and approve incentive plan structures and targets;
- To agree the design of all share incentive plans for approval by the shareholders;
- To ensure the contractual terms of Executive Directors and senior management are deemed fair and reasonable;
- To place before shareholders at each AGM, a Directors' Remuneration Report setting out the Group's policy and disclosures on remuneration;
- To arrange where appropriate, external benchmarking of overall remuneration levels and the effectiveness of incentive schemes;
- To review annually its own performance and terms of reference to ensure it is operating effectively;
- To engage with the workforce to explain how executive remuneration aligns with the wider company pay policy;
- To review workforce remuneration and related policies and the alignment of incentives and rewards with the Group's culture, and take these into account when setting the policy for executives; and
- To exercise discretion when appropriate, in the interest of alignment and fairness.

Remuneration Committee Meetings and Activities 2019

The Committee met four times during the year and attendance at these meetings is outlined on page 104.

The key activities undertaken by the Committee in discharging its duties during 2019 are set out below:

Subject	Remuneration Committee Activity
Remuneration Report	A review of best practice remuneration reporting was completed during 2019 to ensure compliance with relevant legislation and reporting requirements while also ensuring the delivery of a report which is transparent and understandable for all shareholders. As part of this review, the Committee considered the recent updates and guidance issued by the main shareholder representative bodies and proxy agencies, together with the 2014 Irish Companies Act, the EU Shareholders' Rights Directive (which has not yet been transposed into Irish law), the 2018 UK Corporate Governance Code and the UK Companies (Miscellaneous Reporting) Regulations 2018.
2018 UK Corporate Governance Code	The Committee considered the implications of the 2018 UK Corporate Governance Code and as a consequence broadened the remit of the Committee and implemented the other changes required by the new Code excluding those that may result in structural changes to the Remuneration Policy. The Committee will carefully consider these structural changes as part of the Executive Directors' remuneration policy review in 2020.
Basic Salary	The Committee continued to monitor the level of basic salaries of the CEO and Executive Directors in line with market practice. See Implementation Section on page 127 for details on the outcome of the review.
Short Term Incentive Plan (STIP)	The metrics for the STIP awards were reviewed during 2019 to ensure they continue to be aligned with Group strategy and that the associated targets are appropriately stretching. See Implementation Section on page 127 for details on the outcome of the review.

Subject	Remuneration Committee Activity
Long Term Incentive Plan (LTIP)	The Committee considered the overall effectiveness of the LTIP in 2019 to ensure that the metrics continue to be aligned with Group strategy and that the associated targets are appropriately stretching. See Implementation Section on page 128 for details on the outcome of the review.
Chairman & Non-Executive Directors' Fees	In line with the normal 3 year cycle a detailed review of the Chairman and non-Executive Directors fees was undertaken in 2017 with the assistance of Willis Towers Watson. In the intervening years, the Committee continues to monitor the level of the Chairman's fees and the Executive Directors monitor those of the non-Executive Directors and report to the Board. During 2019, the Board approved the appointment of Mr. Tom Moran as the designated workforce engagement Director. The Committee approved an additional annual fee of €12,000 for this position. See Implementation Section on page 128 for details of current fee levels.
Senior Management	In accordance with the terms of the new Code the Committee set the remuneration arrangements for senior management and the Company Secretary.
Workforce Remuneration and Related Policies	During the year, the Committee was provided with information on pay policies and procedures for the wider workforce to consider and review fairness and alignment with Group strategy and the Executive Directors remuneration policy, as well as to inform its decision making in relation to Executive Director remuneration. This included an update on the Total Reward Review that is underway across eight countries representing 80% of the wider workforce and an overview of the approach for the annual pay reviews in all the countries in which the Group operates as well as the structure and annual cost of the STIP and LTIP awards below Board level.
Shareholder Consultation	In early 2019, the Committee consulted with a number of the Company's major institutional shareholders and with proxy agencies regarding the proposed increase to the CEO's salary. The Committee welcomed the engagement and the shareholders consulted were supportive of the proposal put forward. The Committee reviewed the results of the shareholder vote on the Remuneration Report at the 2019 AGM noting that 94.4% of shareholders supported the Report. The Committee also reviewed the additional feedback received from the shareholder proxy agencies.
Committee Evaluation	As outlined on page 105 an external review of the Board and its Committees took place in 2019. The outcome of the review is that the Remuneration Committee is operating effectively.
Appointment of Remuneration Committee Advisor	During 2019, the Committee conducted a formal tender process for the appointment of its principal advisor. The process involved a Request for Proposal, submissions by a number of leading remuneration advisory firms and presentations to the Committee Chair. Following the conclusion of this process the Committee selected Korn Ferry as its Remuneration Advisor and they assumed the role with effect from 16 September 2019 replacing Willis Towers Watson who retired on the same date.
Terms of Reference	During the year, the Committee reviewed and updated its Terms of Reference. A copy of these terms is available on the Group website www.kerrygroup.com.

Work of the Committee in determining Executive Director Remuneration

The Committee considers the appropriateness of the Executive Directors' remuneration not only in the context of overall business performance and environmental, governance and social matters but also in the context of wider workforce pay conditions (taking into account workforce policies and practices) and external market data to ensure that it is fair and appropriate for the role, experience of the individual, responsibilities and performance delivered.

Furthermore the Committee is satisfied, in reviewing the remuneration for 2019 against performance that there has been an appropriate link between reward and performance and that discretion did not need to be used. In assessing performance, the Committee considered relevant environmental, social, and governance matters that it needed to take account of when reviewing the remuneration outcomes.

The Committee concluded that the Policy has operated as intended, that there was a strong link between pay and performance and that no changes to the Policy are needed as a result of the review of operation in 2019.

Remuneration Committee Advisors

The Remuneration Committee is authorised by the Board to appoint external advisors. Korn Ferry were appointed as Remuneration Committee Advisor in 2019. Korn Ferry has also provided other human capital related services to the Group during the year through a separate part of the business. The Committee is comfortable that the controls in place at Korn Ferry do not result in the potential for any conflicts of interest to arise.

The fees incurred with Korn Ferry and Willis Towers Watson for advising the Committee in 2019 were **€45,400** (2018: €nil) and **€46,900** (2018: €81,000) respectively.

Section C: Remuneration Policy

As an Irish incorporated company Kerry Group plc is not required to comply with the UK legislation which requires UK companies to submit their remuneration policies to a binding shareholder vote every three years or earlier if changes are required prior to this. However, in recognition of the commitment that Kerry's remuneration policies, practices and reporting reflect best corporate governance practices we submitted our Remuneration Policy to a non-binding advisory vote at the 2018 Annual General Meeting.

Similarly, Kerry Group plc is not required to comply with the remuneration reporting regulation contained in the UK Companies (Miscellaneous Reporting) Regulations 2018 but follows the requirements as a matter of best practice unless they conflict with Irish or other legal requirements or there are other reasons where it is considered not practicable to do so.

The Company is operating its remuneration arrangements in line with the approved Remuneration Policy, which came into effect in 2018 and will apply for up to three years. The Committee is comfortable that the policy remains appropriate supporting the Group's business strategy and that no changes are required prior to the triennial vote at the 2021 AGM. The current policy is reproduced below for ease of reference. The Committee will review the policy in 2020 and a new policy will be brought to shareholders for approval at the 2021 AGM.

Following the publication of the 2018 UK Corporate Governance Code, the Committee implemented all of the changes recommended by the new Code, other than those that may result in structural changes to the Remuneration policy in order to better align with emerging best practice. Changes implemented during 2019 include broadening of the Committee's remit to include responsibility for setting the remuneration of senior management and the Company Secretary. The Committee also decided that the pension contribution rates for any newly appointed Executive Directors will be aligned to those available to the general workforce in the country in which they are appointed.

The Committee will give careful consideration to the Code Provisions that may result in structural changes to the current Remuneration Policy as part of its scheduled overall review of policy during 2020. The structural changes for consideration are extending the existing two year holding period from 50% to 100% of any LTIP awards that vest, broadening the existing malus and clawback provisions, formalising a post-employment shareholding policy and reviewing the pension contribution rates for incumbent Executive Directors. The pension contribution rates for both the CEO and CFO were reduced to 18% on their appointment in 2017 and 2018 respectively. The contribution rates for their predecessors were 24% and 30% respectively.

The Committee will also consider, as part of the policy review, the requirements of the EU Shareholders' Rights Directive which have not yet been transposed into Irish law, in anticipation of this happening during 2020.

The Group's Executive Director remuneration philosophy is to ensure that executive remuneration is aligned to the Group's Purpose and Values, supports strategy, promotes the long term success of the Company and properly reflects the duties and responsibilities of the executives, and is structured to attract, retain and motivate individuals of the highest quality on an international basis. Remuneration includes performance related elements designed to align Directors' interests with those of shareholders and to promote long term sustainable growth and performance at the highest levels in line with the Group's strategy.

In setting remuneration levels, the Committee has regard to comparable Irish, UK, USA and European companies (including all the companies in the LTIP peer group), which are comparable to the Group in terms of size, geographical spread and complexity of business, and operate in the food and beverage and other sectors. It also considers workforce remuneration and related policies and employment conditions elsewhere in the Group.

The Committee considers the level of pay in terms of the balance between the fixed and variable elements of remuneration. Fixed elements of remuneration are defined as basic salary, pension and other benefits with the variable elements being performance related incentives with both short and long term components.

A high proportion of Executive Directors' potential remuneration is based on short term and long term performance related incentive programmes.
By incorporating these elements, the Remuneration Committee believes that the interest and risk appetite of the Executive Directors is properly aligned with the interests of the shareholders and other stakeholders. When authorising remuneration outcomes, the Committee exercises independent judgement and discretion, taking account of Group and individual performance as well as the investor experience, environmental, governance and social matters and wider workforce pay conditions to ensure that it is fair and appropriate for the role, experience of the individual, responsibilities and performance delivered.

Necessary expenses incurred undertaking company business, are reimbursed and/or met directly so that Executive Directors are no worse off on a net of tax basis for fulfilling company duties.

The Committee considers that the Executive Director remuneration policy and practices address the matters set out in the Code as outlined below:

Matters	Examples
Clarity	The policy is clear, uncomplicated and well understood by the Executive Directors. It has been clearly communicated to shareholders and proxy agencies. Our Chief Human Resources Officer's (CHRO) role has direct responsibility for engaging with our employees and collaborates closely with Mr. Tom Moran, our designated workforce engagement Director. The Committee monitors the effectiveness of engagement with the wider workforce through updates provided by the CHRO and the designated workforce engagement Director. The Board is comfortable that our remuneration policy is clearly understood by employees.
Simplicity	The Committee considers that the current remuneration policy is simple and well understood. The remuneration policy is aligned with the strategy and business model of the Group. The Committee has purposefully avoided any complex structures which have the potential to be misunderstood and deliver unintended outcomes.
Risk	The remuneration policy is designed to discourage inappropriate risk taking and to ensure that it is not rewarded. This is achieved by (i) the balanced use of both short term and long term incentive plans which employ a blend of financial, non financial and shareholder return targets (ii) the significant role played by equity in our incentive plans together with shareholding requirements and (iii) malus and clawback provisions.
Predictability	Executive Directors' remuneration is subject to individual participation caps, with our share based plans also subject to market standard dilution limits. The scenario charts on page 126 illustrate how the rewards potentially receivable by our Executive Directors vary based on performance delivered and share price growth.
Proportionality	There is a clear link between individual rewards, delivery of strategy and long term performance. In addition, the significant role played by STIP and LTIP / 'at risk' pay, together with the structure of the Executive Directors service contracts, ensures that poor performance is not rewarded.
Alignment to Culture	Kerry has a relentless focus to delivering for our shareholders and other stakeholders and this is fully aligned with our remuneration policy in that employee personal success is directly linked to the success of the Group through the short term and long term incentive plans and targets we operate. The Committee is satisfied the remuneration policy is fully aligned with the Group's diverse, entrepreneurial and results focused culture which is underpinned by our Values of Courage, Ownership, Inclusiveness, Open-mindedness and Enterprising Spirit.

Remuneration Policy Table

The following table details the remuneration policy for the Executive Directors:

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics
Basic Salary			
Reflects the value of the individual, their skills and experience Competitive salaries are set to promote the long term success of the company and attract, retain and motivate Executive Directors to deliver strong performance for the Group in line with the Group's strategic objectives	– Remuneration Committee sets the basic salary and benefits of each Executive Director – Determined after taking into account a number of elements including the Executive Directors' performance, experience and level of responsibility – Paid monthly in Ireland and bi-weekly in the US – Salary is referenced to job responsibility and internal/external market data – Pay conditions across the Group are also considered when determining any basic salary adjustments	– Set at a level to attract, retain and motivate Executive Directors – Reviewed annually – Full benchmark review undertaken every three years	– Not applicable
Benefits			
To provide a competitive benefit package aligned with the role and responsibilities of Executive Directors	– These benefits primarily relate to the use of a company car or a car allowance	– Not applicable	– Not applicable
Pension			
To provide competitive retirement benefits to attract and retain Executive Directors	– Pension arrangements may vary based on the executives' location – Irish resident Executive Directors participate in the general employee defined contribution pension scheme or receive a contribution to an after tax savings scheme (where the lifetime earnings cap has been reached) – The existing Executive Director in the US participates in the Group's defined benefit and defined contribution pension schemes	– Pension values may vary based on local practice	– Not applicable
Short Term Performance Related Incentives (STIP)*			
To incentivise the achievement, on an annual basis, of key performance metrics and short term goals beneficial to the Group and the delivery of the Group's strategy A 25% deferral in shares/options provides a 2 year retention element and aligns Executive Directors interests with shareholders' interests	– Achievement of predetermined performance targets set by the Remuneration Committee – Performance targets aligned to published strategic targets – 75% of the award payable in cash – 25% awarded by way of shares/options to be issued two years after vesting following a deferral period – Malus and clawback provisions are in place for awards under the STIP (see page 125)	– Maximum opportunity is 125% - 150% of basic salary – Target opportunity is 70% of maximum opportunity for on-target performance	– Volume Growth – Margin Expansion – Cash Conversion – Personal and Strategic Objectives

Purpose and Link to Strategy	Operation	Opportunity	Performance Metrics
Long Term Performance Related Incentives (LTIP)**			
Retention of key personnel and incentivisation of sustained performance against key Group strategic metrics over a longer period of time Share based to provide alignment with shareholder interests A 50% deferral provides a retention element and aligns Executive Directors' interests with shareholders' interests	– The awards vest depending on a number of separate performance metrics being met over a three year performance period – Conditional awards over shares or share options in the Group – 50% of the earned award delivered at vesting date – 50% of the earned award issued following a two year deferral period (i.e. giving a combined performance period and deferral period of 5 years) – Malus and clawback provisions are in place for awards under LTIP (see page 125)	– Maximum opportunity is 180% - 200% of basic salary – Target opportunity is 50% of maximum opportunity for on-target performance	– Adjusted Earnings Per Share – Total Shareholder Return – Return on Average Capital Employed
Shareholding Requirement			
Maintain alignment of the interests of the shareholders and the Executive Directors and commitment over the long term	– Executive Directors are expected to build and to hold shares in the Company to a minimum level of 180% - 200% of their basic salary over a five year period	– Not applicable	– 180% - 200% of basic salary

* The Committee may, at its discretion amend or vary the performance metrics of the STIP related Incentives and the calculation methodology for those performance metrics when appropriate, in the interest of alignment and fairness.

** In line with plan rules the Committee may, at its discretion and after consulting with the Irish Association of Investment Managers, amend or vary the performance metrics of the LTIP related Incentives, the calculation methodology for those performance metrics and the composition of the TSR peer group when appropriate, in the interest of alignment and fairness.

Pensions

The Group CEO participates in the general employee Irish defined contribution scheme and the CFO participates in an after tax savings scheme, in lieu of pension benefits. The existing US resident Executive Director participates in a US defined contribution scheme and a US defined benefit pension scheme.

Service Contracts

The CEO and Executive Directors have service contracts in place which can be terminated by either party giving 12 months' notice. In addition, all service contracts include pay in lieu of notice, non-compete and non-solicitation provisions of up to 12 months' post departure, in order protect the Group's customer base, employees and intellectual property.

No ex-gratia severance payments are provided for in respect of the CEO or Executive Directors.

Remuneration Policy for Recruitment of New Executive Directors

The Remuneration Committee will determine the contractual terms for new Executive Directors, subject to appropriate professional advice to ensure that these reflect best practice and are subject to the limits specified in the Group's approved policy as set out in this report.

Salary levels for new Executive Directors will take into account the experience and calibre of the individual and his/her remuneration expectations. Where it is appropriate to offer a lower salary initially, a series of increases to the desired salary positioning may be made over subsequent years, subject to individual performance and development in the role.

Pension and benefits will be provided in line with the approved policy, with relocation, travel or other expenses provided if necessary.

The structure of the variable pay element will be in accordance with and subject to the limits set out in the Group's approved policy detailed above. Different performance measures may be set initially for STIP in the year an Executive Director joins the Group taking into account the responsibilities of the individual and the point in the financial year that he/she joins the Board. Subject to the rules of the scheme, an LTIP award may be granted after joining the Group.

If it is necessary to buy-out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer) in the case of an external appointment, this would be provided for taking into account the form (cash or shares), timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. The general policy is that payment should be no more than the Committee considers is required to provide reasonable compensation for remuneration being forfeited and any payment made will be restricted to a maximum of one year's target remuneration.

The Group's policy is that the period of notice for new Executive Directors should not exceed 12 months and should include pay in lieu of notice, non-compete and non-solicitation provisions to protect the Group.

The Committee will ensure that any arrangements agreed will be in the best interests of the Company and shareholders.

Payments for Loss of Office

In the event of a Director's departure, the Group's policy on termination is as follows:

- The Group will pay any amounts it is required to make in accordance with or in settlement of a Director's statutory employment rights and in line with their employment agreement;
- The Group will seek to ensure that no more is paid than is warranted in each individual case;
- STIP and LTIP awards will be paid out in line with plan rules on exit (i.e. for good leavers as defined in the LTIP rules), with awards prorated to normal vesting date, subject to performance and a 2 year holding requirement; and
- Other payments, such as legal or other professional fees, repatriation or relocation costs and/or outplacement fees, may be paid if it is considered appropriate and at the discretion of the Committee.

A Director's service contract may be terminated without notice and without any further payment or compensation, except for sums accrued up to the date of termination, on the occurrence of certain events such as gross misconduct.

Change of Control

Outstanding STIP and LTIP awards/options would normally vest and become exercisable on a change of control, subject to plan rules, including the satisfaction of any performance conditions and pro-rating. The Committee may exercise its discretion to vary the level of vesting having regard to the circumstances and reasons for the events giving rise to the change of control.

Malus / Clawback

The Committee has the discretion to reduce or impose further conditions on the STIP and LTIP awards prior to vesting (malus). The Committee further has the discretion to recover incentives paid within a period of two years from vesting (clawback), where the Audit Committee determines that:

- a material misstatement of the Company's audited financial results or a serious wrongdoing has occurred; and
- as a result of that misstatement or serious wrongdoing, there will need to be a restatement of the accounts and that the incentive awarded was in excess of the amount that would have been awarded, had there not been such a misstatement.

Any recalculation shall be effected in such manner and subject to such procedures as the Group determines to be measured and appropriate, including repayment of any excess incentive or set off against any amounts due or potentially due to the participant under any vested or unvested incentive awards.

The Company retains the right to apply the malus and clawback provisions to former directors STIP and LTIP awards. Other elements of remuneration are not subject to malus or clawback provisions.

Alignment with Workforce Pay and Policies

The remuneration policy provides an overview of the structure that operates for the Company's Executive Directors and senior management. Differences in quantum will depend on size of the role and responsibility, the location of the role and local market practice.

When setting the remuneration policy for Executive Directors, the Remuneration Committee considers the pay policies and procedures for the wider workforce. The key difference is that, overall, remuneration policy for the Executive Directors is more heavily weighted towards variable pay compared to other employees.

Basic salaries are operated under the same policy as detailed in the remuneration policy table with comparator groups used as a reference point. The Committee considers the basic salary increase for the broader workforce when determining the annual salary review for the Executive Directors.

Senior management are invited to participate in both the STIP and LTIP to incentivise performance through the achievement of short term and long term objectives and through the holding of shares in the Group.

Alignment with Culture

When setting the metrics for the STIP for Executive Directors, the Remuneration Committee set financial, personal and strategic objectives which are fully aligned with and reinforce the cultural priorities of the Group. Details of financial, personal and strategic objectives are outlined on pages 130-131.

Consultation with Employees

While the Committee currently does not consult directly with employees when setting remuneration for Executive Directors, it does take into account the remuneration structures, policies and practices in the Group as a whole, the feedback from employee engagement activities and the information provided by our external advisors. In addition, matters relating to remuneration which come to the attention of Mr. Tom Moran, in his capacity as the designated workforce engagement Director, are reported to the Committee. The Group has a number of different channels for engagement and the Committee will consider how it can engage more effectively with the wider workforce to explain broader pay policies and practices and the alignment to the Executive Directors' Remuneration Policy.

Consultation with Shareholders

The Committee considers the guidelines issued by the major institutional shareholders and the bodies representing them and the feedback provided by such proxy agencies and shareholders, when completing its annual and triennial review of the Group's Executive Remuneration policies and practices. The Committee engaged with a number of major institutional shareholders and proxy agencies during 2019 to consult with them on the proposed changes to the CEO base salary. The Committee is committed to continued consultation with shareholders and will engage with them during 2020 as part of its remuneration policy review.

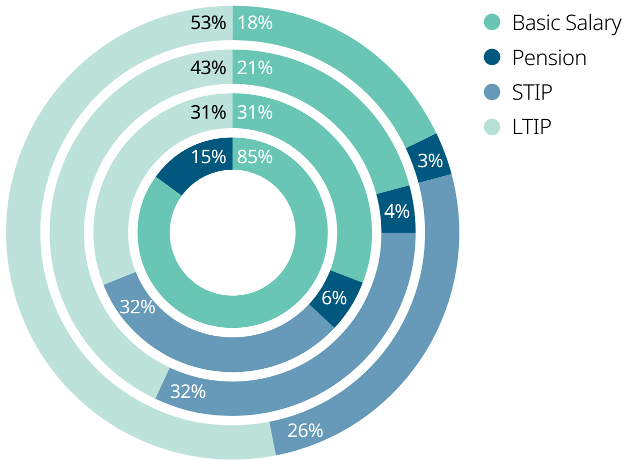
Non-Executive Directors' Remuneration Policy

Non-Executive Directors' fees, which are determined by the Executive Directors, fairly reflect the responsibilities and time spent by the non-Executive Directors on the Group's affairs. In determining the fees, which are set within the limits approved by shareholders, consideration is given to both the complexity of the Group and the level of fees paid to non-Executive Directors in comparable companies. On a three year cycle, a detailed review is carried out in relation to non-Executive Directors' fees and any recommendations are presented to the Executive Directors for approval. The last review was undertaken in 2017. Non-Executive Directors do not participate in the Group's incentive plans, pension arrangements or other elements of remuneration provided to the Executive Directors. Non-Executive Directors are reimbursed for travel and accommodation expenses (and any personal tax that may be due on those expenses). Non-Executive Directors are encouraged to build up a shareholding in the Company.

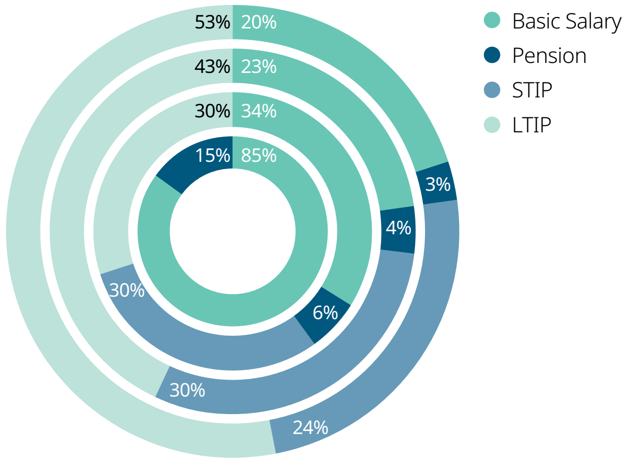
Illustration of Remuneration Policy

The following diagram shows the minimum, target, maximum and maximum +50% composition balance between the fixed and variable remuneration components for each Executive Director effective for 2020. The inner most circle represents the minimum potential scenario for remuneration, with the 2nd circle representing target, the 3rd circle representing maximum potential and the outer circle representing maximum potential plus 50% increase in the LTIP share value.

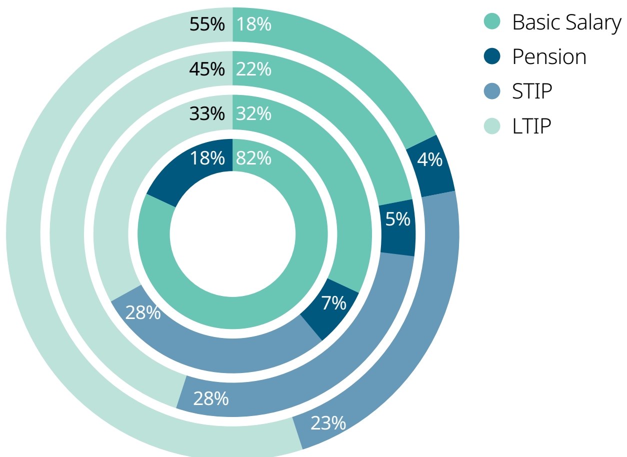
Edmond Scanlon



Marguerite Larkin



Gerry Behan



Section D: Remuneration Policy Implementation

PART I: REMUNERATION POLICY IMPLEMENTATION 2020

This part of the report sets out how the Remuneration Policy as described on pages 121-126 will operate in 2020.

Basic Salary and Benefits

The salaries of the Executive Directors for the year commencing on 1 February 2020, together with the comparative figures, are as follows:

Directors	2020 €'000	2019 €'000	% Increase
Edmond Scanlon	1,189	1,160	2.5%
Marguerite Larkin	735	717	2.5%
	$'000	**$,000**	
Gerry Behan	958	930	3%

The increases in salaries for the Executive Directors are in line with increases for the general workforce in Ireland (2.5%) and the US (3.0%).

Benefits relate primarily to the use of a company car/car allowance. Any travel arrangements or travel costs required for business purposes will also be met by the Group, on a net of tax basis.

Pensions

The Group CEO participates in the general employee Irish defined contribution scheme and the CFO participates in an after tax savings scheme, in lieu of pension benefits. The existing US resident Executive Director participates in a US defined contribution scheme and a US defined benefit pension scheme.

Short Term Performance Related Incentive Award (STIP)

A review of the STIP metrics was completed in 2019 to ensure that they remain appropriate, linked to strategy and targets are appropriately calibrated. The Committee concluded that no changes were required to the performance metrics and weightings in 2020 as they continue to support our business strategy and the ongoing enhancement of shareholder value through a focus on a return for shareholders, increasing profit and cash generation.

The maximum STIP opportunity remains the same as 2019, 150% of salary for the CEO and 125% of salary for the CFO and CEO Taste & Nutrition.

2020 STIP – Performance Metrics and Weightings

	CEO		CFO		CEO Taste & Nutrition	
	% of award		% of award		% of award	
Group Metrics	Target	Max	Target	Max	Target	Max
Volume growth*	28%	40%	28%	40%	28%	40%
Margin expansion*	21%	30%	21%	30%	21%	30%
Cash conversion	14%	20%	14%	20%	14%	20%
Personal and strategic	7%	10%	7%	10%	7%	10%
Total	70%	100%	70%	100%	70%	100%

* The above metrics are measured at a Group level for the CEO and CFO and at a Taste & Nutrition level for the CEO of Taste & Nutrition.

The Committee is of the view that a 70% of maximum award payout for on target performance is appropriate taking into account the level of stretch in the targets set. Due to their commercial sensitivity, the Committee is of the view that it would be detrimental to the Company to disclose the targets in advance of or during the relevant performance period.
The Committee will disclose the targets and performance against them in next year's Remuneration Report.

Alignment to Strategy

The above are considered key metrics as they align with the Group's strategic objectives while also ensuring the long term operational and financial stability of the Group. Volume Growth and Margin Expansion are key performance metrics as they are the main drivers of Adjusted EPS Growth. Cash Conversion is key to ensuring there are sufficient funds available for reinvestment or for return to shareholders. Personal and Strategic objectives, that are relevant to each Executive Director's specific area of responsibility, are key in ensuring focus on the strategic and functional priorities of the business.

25% of the overall annual incentive payment is delivered through shares/share options, with the remaining 75% being delivered in cash. A two year deferral period is in place for share/share option awards that vest under the scheme.

Long Term Performance Related Incentive Plan (LTIP)

A review of the LTIP metrics was completed in 2019 to ensure that they remain appropriate, linked to strategy and targets are appropriately calibrated. The Committee concluded that no changes were required.

The LTIP award levels remain unchanged from 2019, with a maximum opportunity of 180% to 200% of basic salary.

LTIP Award Year		**2020**	
Performance Metrics	**Threshold**	**Target**	**Maximum**
EPS (50% weighting)*			
Kerry's EPS growth per annum	6%	10%	12%
% of award which vests	25%	50%	100%
ROACE (20% weighting)			
ROACE return achieved	10%	12%	14%
% of award which vests	25%	50%	100%
Relative TSR (30% weighting)			
Position of Kerry in peer group	Median	Median to 75th%	Greater than 75th%
% of award which vests	30%	30% - 100%	100%

* Adjusted EPS growth is measured on a constant currency basis

How Remuneration Links with Strategy

The table below demonstrates how the performance metrics for STIP and LTIP align to and support our business strategy.

Performance Measure	Strategic Priority	Incentive Scheme
Volume growth	Key driver of revenue growth	STIP
Margin expansion	Key driver of profit growth	STIP
Cash conversion	Cash generation for reinvestment or return to shareholders	STIP
Personal and strategic objectives	Reward the development and execution of business strategies	STIP
Adjusted EPS growth	Delivery of the Group's long term growth strategy	LTIP
TSR	Delivery of shareholder value	LTIP
ROACE	Balance growth and return	LTIP

See Financial Key Performance Indicators (KPIs) on pages 32-33 for more information on the link between the performance metrics used for incentive purposes and the Group's Strategic Plan.

Non-Executive Director Remuneration Review

In line with the three year review cycle the Chairman and non-Executive Directors fees were reviewed during 2017 and increases were made effective from 1 January 2018. There are no proposed changes to the Chairman and non-Executive Director fees for 2020.

During 2019, the Board approved the appointment of Mr. Tom Moran as the designated workforce engagement Director. The Committee approved an additional annual fee of €12,000 for this position.

Non-Executive Directors may be reimbursed for travel and accommodation expenses (and any personal tax that may be due on those expenses). Non-Executive Directors do not participate in the Company's incentive plans. However Non-Executive Directors are encouraged to build up a personal shareholding.

PART II: REMUNERATION POLICY OUTTURN 2019

Disclosures regarding Directors' remuneration have been drawn up on an individual Director basis in accordance with the requirements of the 2014 Irish Companies Act, the UK Corporate Governance Code, the Irish Annex, the Euronext Dublin Stock Exchange and the UK Listing Authority.

The information in the tables 1, 4, 5, 6, 7 and 8 below including relevant footnotes (identified as audited) forms an integral part of the audited consolidated financial statements as described in the basis of preparation on page 154. All other information in the remuneration report is additional disclosure and does not form an integral part of the audited consolidated financial statements.

Executive Directors' Remuneration

Table 1: Individual Remuneration for the year ended 31 December 2019 (Audited)

	Irish Based Directors Euros						US Based Director US Dollars	
	Edmond Scanlon		Marguerite Larkin[5]		Brian Mehigan[6]		Gerry Behan[7]	
	2019 €'000	2018 €'000	**2019 €'000**	2018 €'000	**2019 €'000**	2018 €'000	**2019 $'000**	2018 $'000
Basic Salary	**1,151**	1,050	**716**	177	**-**	703	**928**	901
Benefits[1]	**39**	34	**33**	8	**-**	37	**80**	74
Pensions[2]	**207**	200	**129**	34	**-**	210	**217**	201
Total Fixed Remuneration	**1,397**	1,284	**878**	219	**-**	950	**1,225**	1,176
STIP[3]	**1,312**	948	**680**	133	**-**	530	**766**	640
LTIP[4]	**1,282**	345	**-**	-		805	**1,737**	1,310
Total Variable Remuneration	**2,594**	1,293	**680**	133	**-**	1,335	**2,503**	1,950
Total Remuneration	**3,991**	2,577	**1,558**	352	**-**	2,285	**3,728**	3,126
							€'000	€'000
							€3,329	2,638

Note 1: The benefits figure for Edmond Scanlon and Marguerite Larkin in 2019 includes an amount for life cover.

Note 2: The pension figure for Edmond Scanlon relates to Irish defined contribution pension benefits. Brian Mehigan and Marguerite Larkin received a taxable cash payment in lieu of pension benefits and the figures included above reflect this including life cover in 2018. The pension figure for Gerry Behan includes both defined benefit and defined contribution retirement benefits.

Note 3: This STIP amount represents 75% delivered in cash with 25% delivered by way of shares/share options which are deferred for two years.

Note 4: The share price used to calculate the value of the LTIP is the average share price for the three months up to the end of the year being reported. A positive share price movement versus that applicable at the date the conditional awards were granted has increased the valuation of the awards (that will vest in 2020) over the 3 years by €349,532 for Edmond Scanlon and by €510,501 for Gerry Behan.

Note 5: Marguerite Larkin was appointed as CFO and to the Board on 30 September 2018. Her 2018 remuneration reflected in the table above relates to remuneration for the period 30 September to 31 December 2018.

Note 6: Brian Mehigan retired as a Director on 28 December 2018.

Note 7: The table shows the Executive Director's pay in the currency of payment to ensure clarity in reflecting the year on year payment comparisons.

Note 8: The total remuneration for Executive Directors was €8,878m (2018: €7,852m) using a US dollar exchange of 1.12 (2018: 1.18).

Basic Salary Increases

Edmond Scanlon's base salary as Group CEO was increased by 8% (to reflect his growth in role, individual performance and the increase in the Group's scale and complexity) together with the standard inflation increase of 2.5% effective from 1 February 2019. The basic salaries of Marguerite Larkin and Gerry Behan were increased by 2.5% and 3% respectively effective from 1 February 2019 in line with increases for the general workforce in Ireland and the US respectively.

Annual Incentive Outcomes (STIP)

Table 2: Annual Bonus Achievement Against Targets

Financial Metrics (CEO, CFO, & T&N CEO – 90% weighting)

Metric		1. Volume Growth* (40% weighting)		2. Margin Expansion* (30% weighting)		3. Cash Conversion (20% weighting)
		Group	Taste & Nutrition	Group	Taste & Nutrition	Group
Targets	Threshold	0%	0%	0 bps	0 bps	60%
	Target	3%	4%	+20 bps	+30 bps	70%
	Max	5%	6%	+40 bps	+50 bps	80%
Actual performance		2.8%	4%	+30 bps	+20 bps	73.9%
Bonus outcome		26%	28%	26%	14%	16%
Link to strategy		Volume Growth is a key performance metric as it is one of the main drivers of Adjusted EPS Growth		Margin Expansion is a key performance metrics as it is another main driver of Adjusted EPS Growth		Cash Conversion is key to ensuring there are sufficient funds available for reinvestment or for return to shareholders

* The above metrics are measured at Group level for the CEO and CFO and at Taste & Nutrition level for the CEO of Taste & Nutrition.

When setting the targets above the Committee considered them to be appropriate as they are aligned with the Group's strategic plan, are reflective of overall market conditions, and take account of planned investments (both capital and operational) that the Group is making to enable the achievement of its strategic priorities for growth as well as necessary working capital builds to mitigate the Brexit and Kerryconnect risks. The Committee also concluded that there was no requirement to exercise discretion as the 2019 STIP outcome reflected the underlying performance of the business.

Personal and Strategic Objectives – 10% weighting
The table below sets out the performance outcome for the personal and strategic element of the STIP.

Metric		4. Personal and Strategic (All – 10% weighting)	
		CEO & CFO	T&N CEO
Targets	Threshold	0	0
	Target	7	7
	Max	10	10
Actual performance		8	8
Bonus outcome		8%	8%
Link to strategy		Specific to the Executive Directors responsibility linked to strategic plan implementation and talent management.	

Details of Personal and Strategic Objectives
The Executive Directors are also measured against Personal and Strategic objectives, which this year focus on Purpose and Values, Sustainability, Portfolio Optimisation, Operating Model and Talent. Performance against these objectives is determined by the Committee by reference to key targets agreed with the executives at the start of the year.

Directors	Achievements	Bonus Outcome
CEO	– **Purpose/Values/Sustainability:** Championed the Group's new Purpose statement and refreshed Values as they were communicated and embedded across the organisation, further strengthening alignment with the Group's culture and long term strategy. Led the development of the Group's refreshed sustainability vision and programme. – **Portfolio Optimisation:** Identified and executed M&A transactions to optimise the Group's business and technology portfolios. – **Operating Model:** Led and embedded significant enhancements to the Group's operating model, driving commercial excellence, global consistency and agility. – **Talent and Succession:** Led a structured review of talent pipeline strength and delivered a cohesive plan to strengthen senior management succession.	8%
CFO	– **Purpose/Values/Sustainability:** Championed the Group's new Purpose statement and refreshed Values as they were embedded across the organisation; ensured full alignment of performance measures and KPIs. Co-led the development of the Group's refreshed sustainability vision and strategy with particular focus on performance measures and KPIs. – **Portfolio Optimisation:** Identified and executed M&A transactions to optimise the Group's business and technology portfolios. – **Operating Model:** Co-led enhancements to the Group's operating model ensuring full alignment of the finance operating model. – **Talent and Succession:** Delivered a cohesive plan to strengthen finance leadership, capability and executive succession.	8%
CEO T&N	– **Purpose/Values/Sustainability:** Championed the Group's new Purpose statement and refreshed Values as they were communicated and embedded across the Taste & Nutrition organisation. Co-led the development of the Group's refreshed sustainability vision and programme, ensuring alignment and capability of the Taste & Nutrition organisation for execution of the strategy. – **Portfolio Optimisation:** Identified and executed M&A transactions, together with other initiatives within the existing Taste & Nutrition organisation, to optimise the growth and return from the businesses and technology portfolios in the division. – **Operating Model:** Further enhanced the Taste & Nutrition operating model in line with Group strategy, driving commercial excellence, global consistency and agility. – **Talent and Succession:** Delivered a cohesive plan to strengthen leadership capability and executive succession across Taste & Nutrition in support of the division's growth ambitions.	8%

The Committee reviewed progress against these objectives and concluded that good progress was made by the Executive Directors against the objectives outlined above, which resulted in an award that was slightly higher than target.

The targets for the Executive Directors, which were set by the Remuneration Committee, were challenging and stretching in the current environment and as a result an average weighted payout of 72.7% of max opportunity was achieved.

Long Term Incentive Plan (LTIP)

2013 LTIP

The terms and conditions of the plan were approved by shareholders at the 2013 AGM. The Remuneration Committee approves the terms, conditions and allocation of conditional awards under the Group's LTIP to Executive Directors and senior management. Under this plan, Executive Directors and senior management are invited to participate in conditional awards over shares or share options in the Company.

Subject to performance metrics being met over a three year performance period, the LTIP award will vest on the third anniversary of the date of grant. 50% of the award is delivered at the vesting date with the remaining 50% of the award being delivered following a two year deferral period. This provides for a combined performance period and deferral period of five years for half of the award that vests.

The first conditional awards under this scheme were made to Executive Directors in 2013. The maximum award that can be made to an individual Executive Director under the LTIP over a 12 month period is equivalent to 180% - 200% of basic salary for that period.

An award may lapse if a participant ceases to be employed within the Group before the vesting date. The market price of the shares on the date of each award outlined above is disclosed in note 28 to the financial statements.

The proportion of each conditional award which vests will depend on the adjusted EPS growth, TSR and ROACE performance of the Group during the relevant three year performance period.

2017 LTIP Awards

Set out below is the performance against targets for the 2017 LTIP award where the three year performance period ended on 31 December 2019 and the award vests in 2020.

EPS Performance Test

Up to 50% of the award vests according to the Group's average adjusted EPS growth over the performance period. This measurement is determined by reference to the growth in the Group's adjusted EPS calculated on a constant currency basis in each of the three financial years in the performance period in accordance with the vesting schedule outlined in the following table:

	Adjusted EPS Growth Per Annum	Percentage of the Award Which Vests
Threshold	6%	25%
Target	10%	50%
Maximum	12%	100%

Below 6% none of the award vests. Between 6% and 10%, 25% - 50% vesting occurs on a straight line basis. Between 10% and 12%, 50% - 100% vesting occurs on a straight line basis.

The outcome of the EPS performance test, calculated on a constant currency basis, is an annual average adjusted EPS growth of **8.8%** which results in an award outcome of 21.3% out of a possible maximum of 50%.

TSR Performance Test

30% of the award vests according to the Group's TSR performance over the period measured against the TSR performance of a peer group of listed companies over the same three year performance period. The peer group consists of Kerry and the following companies:

Chr. Hansen	Givaudan	Kellogg's	Sensient Technologies
Barry Callebaut	Glanbia	McCormick & Co.	Symrise
Corbion	Greencore	Nestlé	Tate & Lyle
Aryzta	Danone	Novozymes	Unilever
General Mills	IFF	Premier Foods	

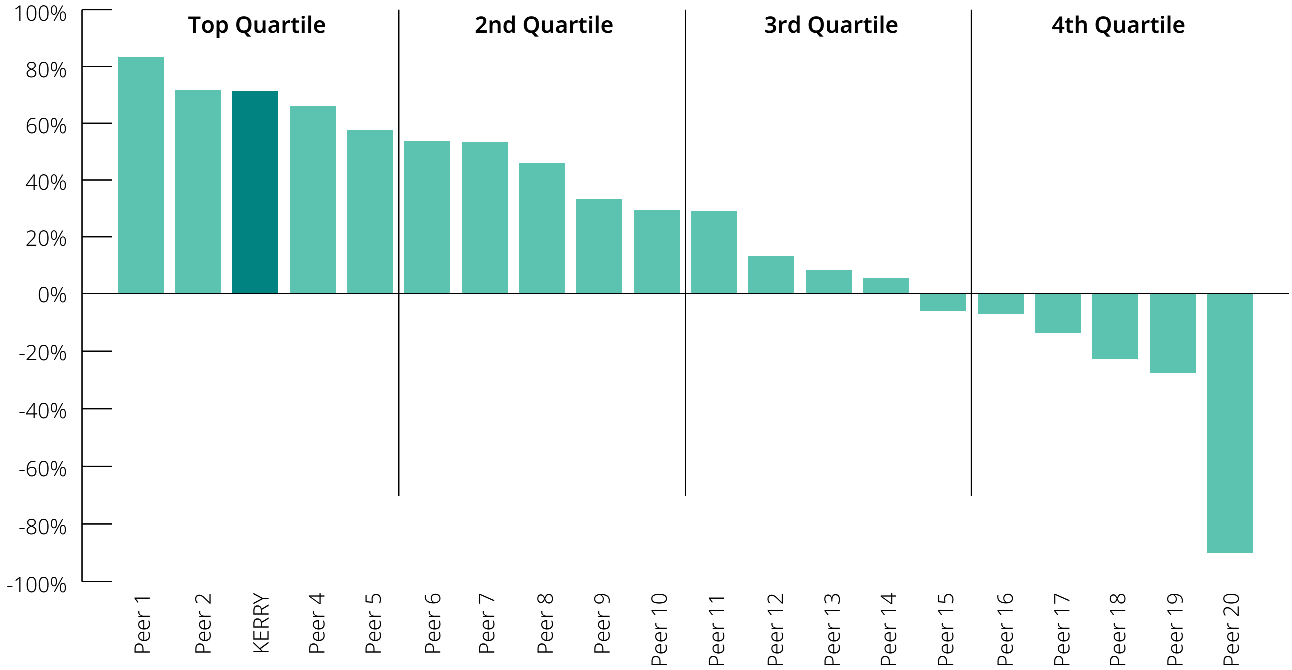
When assessing whether the performance hurdle has been met, this measurement is determined by reference to the ranking of Kerry's TSR over the three year performance period, in comparison with the TSR performance of the companies in the peer group. The awards vest in line with the following table:

Position of Kerry in the Peer Group	Percentage of the Award Which Vests
Below median	0%
Median	30%
Between median and 75th percentile	Straight line between 30% and 100%
Greater than 75th percentile	100%

The performance graph on page 133 shows Kerry's TSR compared to the peer companies over the three year performance period from 1 January 2017 to 31 December 2019 for the LTIP awards which issued in 2017. These awards have a vesting date on or before 30 April 2020.

3 Year TSR: Kerry and Comparator 1 Jan 2017 - 31 Dec 2019

See chart on page 137, which illustrates the Group's TSR performance from 2009 to 2019



The outcome of the measurement of the TSR condition in relation to the 2017 awards is in the top quartile, resulting in an award outcome of 30% out of a possible maximum of 30%.

ROACE Performance Test

20% of the award vests according to the Group's ROACE over the performance period. ROACE represents a good perspective on the Group's internal rate of return and financial added value for shareholders. ROACE supports the strategic focus on growth and margins through ensuring cash is reinvested to generate appropriate returns.

This measurement is determined by reference to the ROACE in each of the three financial years included in the performance period:

	Return on Average Capital Employed	Percentage of the Award Which Vests
Threshold	10%	25%
Target	12%	50%
Maximum	14%	100%

Below 10% none of the award vests. Between 10% and 12%, 25% - 50% vesting occurs on a straight line basis. Between 12% and 14%, 50% - 100% vesting occurs on a straight line basis.

The outcome of the measurement of the ROACE condition in relation to the 2017 awards is a ROACE of 12.3% which resulted in a reward outcome of 11.5% out of a maximum of 20%.

Table 3: Overall Outcome of the 2017 LTIP Award Vesting in 2020

Long Term Incentive Plan	TSR Performance (30% of Award)	Actual Vesting of TSR Award	EPS Performance (50% of Award)	Actual Vesting of EPS Award	ROACE Performance (20% of Award)	Actual Vesting of ROACE Award	Total % Vested
2013 LTIP Plan	Top Quartile*	30%	8.8% growth*	21.3%	12.3%	11.5%	62.8%

* See TSR, EPS and ROACE tables above for details of performance metrics.

The Committee concluded that there was no requirement to exercise discretion as the 2017-19 LTIP outcome reflected the underlying business performance during the three year performance period.

Summary of outstanding LTIP awards

The following table shows the Executive Directors' and Company Secretary's interests under the LTIP. Conditional awards at 1 January 2019 relate to awards made in 2016, 2017 and 2018 which have a three year performance period. The 2016 awards vested in 2019. The 2017 and 2018 awards will potentially vest in 2020 and 2021 respectively. The market price of the shares on the date of each award is disclosed in note 28 to the financial statements.

Executive Directors' and Company Secretary's Interests in Long Term Incentive Plan

Table 4: Individual Interest in LTIP (Audited)

	LTIP Scheme	Conditional Awards at 1 January 2019	Share Awards Vested During the Year	Share Option Awards Vested During the Year	Share Awards Lapsed During the Year	Conditional Awards Made During the Year	Conditional Awards at 31 December 2019	Share Price at Date of Conditional Award Made During the Year
Directors								
Edmond Scanlon	2013	59,089	_	**(3,801)**	**(2,166)**	**24,324**	**77,446**	**€95.40**
Marguerite Larkin	2013	7,031	_	_	_	**13,538**	**20,569**	**€95.40**
Gerry Behan	2013	59,155	**(12,168)**	_	**(6,934)**	**17,352**	**57,405**	**€95.40**
Company Secretary								
Ronan Deasy	2013	13,246	_	**(1,996)**	**(1,137)**	**2,901**	**13,014**	**€95.40**

Conditional LTIP awards made in 2019 have a three year performance period and will potentially vest in 2022. 50% of the shares/share options which potentially vest under the LTIP, are issued immediately upon vesting. The remaining 50% of the award is issued to participants following a two year deferral period.

The following table shows the share options which are held by the Executive Directors and the Company Secretary under the STIP and LTIP:

Table 5: Share Options Held Under the STIP and LTIP (Audited)

	Share Options Outstanding at 1 January 2019	Share Options Exercised During the Year	Share Options Vested During the Year[1]	Share Options Outstanding at 31 December 2019	Exercise Price Per Share
Directors					
Edmond Scanlon	9,537	_	**6,286**	**15,823**	**€0.125**
Marguerite Larkin[1]	_	_	**696**	**696**	**€0.125**
Company Secretary					
Ronan Deasy	3,390	**(2,310)**	**2,333**	**3,413**	**€0.125**

Note 1: Share Options which vested in March 2019 related to 2016 LTIP awards and 25% of the 2018 STIP (paid in March 2019). 50% of share options vested under the LTIP are subject to a two year deferral period and 25% of the STIP payments which are delivered in share options are subject to a two year deferral period.

Once vested, share options under the LTIP can be exercised for up to seven years before they lapse. For share options subject to the two year deferral period, they can be exercised for up to five years following the end of the two year deferral period, before they lapse i.e. seven years following the vest date.

Executive Directors' Pensions

The pension benefits under defined benefit pension plans for Gerry Behan during the year are outlined in the following table.

Table 6: Defined Benefit – Pensions Individual Summary (Audited)

	Accrued Benefits on Leaving Service at End of Year: Increase During the Year (Excluding Inflation) $'000	Accrued Benefits on Leaving Service at End of Year: Accumulated Total at End of Year $'000	Transfer Value of Increase in Accumulated Accrued Benefits $'000
Gerry Behan			
2019	**25**	**552**	**321**
2018	44	527	264

Note: The table shows the Executive Director's pension in the currency of payment to ensure clarity in reflecting the year on year payment comparisons.

Note: Contributions were made to an Irish defined contribution plan in respect of Edmond Scanlon. Marguerite Larkin receives a taxable cash payment in lieu of pension benefits. These contributions are reflected in the single figure table (table 1) on page 129.

Non-Executive Directors' Remuneration Paid in 2019

Table 7: Remuneration Paid to Non-Executive Directors in 2019 (Audited)

	Fees 2019 €	Fees 2018 €
Hugh Brady	**98,000**	98,000
Gerard Culligan	**78,000**	78,000
Karin Dorrepaal	**98,000**	98,000
Michael Dowling*	**-**	148,958
Joan Garahy	**128,000**	123,000
James C. Kenny	**117,000**	117,000
Tom Moran**	**105,000**	98,000
Con Murphy	**78,000**	78,000
Christopher Rogers***	**103,000**	68,666
Philip Toomey	**357,500**	277,667
	1,162,500	1,185,291

* Retired on 3 May 2018.

** Appointed as designated workforce engagement Director 18 June 2019. Details of the remuneration in respect of these additional responsibilities are outlined on page 128.

*** Appointed to the Board on 8 May 2018.

During 2019, the Board approved the appointment of Mr. Tom Moran as the designated workforce engagement Director. The Committee approved an additional annual fee of €12,000 for this position.

Non-Executive Directors' remuneration consists of fees only. Non-Executive Directors are reimbursed for travel and accommodation expenses and any personal tax that may be due on those expenses. The gross amount of these expenses that were deemed to be taxable is €20,623.

Payments to Former Directors

Table 8: Payments to Former Directors (Audited)

Former Director	**2019** **€'000**	2018 €'000
Stan McCarthy	**–**	1,259
Flor Healy	**–**	–
Brian Mehigan	**–**	–
	–	1,259

The above former Executive Directors received no payments during 2019 in respect of their duties as Executive Directors. Vested 2014 LTIP awards and vested 2016 STIP awards, which were subject to a two year deferral period and delivered in 2019, were disclosed in previous annual reports when earned and therefore are not disclosed in the table above.

Payment for Loss of Office

There were no payments for loss of office in 2019 (2018: €nil).

Directors' and Company Secretary's Interests

There have been no contracts or arrangements with the Company or any subsidiary during the year, in which a Director of the Company was materially interested and which were significant in relation to the Group's business. The interests of the Directors and the Company Secretary of the Company and their spouses and minor children in the share capital of the Company, all of which were beneficial unless otherwise indicated, are shown below:

Table 9: Directors and Company Secretary Shareholdings

	31 December 2019 Ordinary Shares Number	**31 December 2019 Share Options Number**	**31 December 2019 Total Number**	1 January 2019 Ordinary Shares Number	1 January 2019 Share Options Number	1 January 2019 Total Number
Directors						
Gerry Behan	**47,830**	**–**	**47,830**	58,839	–	58,839
- Deferred[1]	***17,074***	**–**	***17,074***	*14,905*	–	*14,905*
Hugh Brady	**1,250**	**–**	**1,250**	1,250	–	1,250
Gerard Culligan	**–**	**–**	**–**	–	–	–
Karin Dorrepaal	**–**	**–**	**–**	–	–	–
Joan Garahy	**1,050**	**–**	**1,050**	1,050	–	1,050
James C. Kenny	**–**	**–**	**–**	–	–	–
Marguerite Larkin	**1,500**	**–**	**1,500**	1,500	–	1,500
- Deferred[1]	**–**	***696***	***696***	–	–	–
Tom Moran	**539**	**–**	**539**	539	–	539
Con Murphy	**7,721**	**–**	**7,721**	7,721	–	7,721
Christopher Rogers	**640**	**–**	**640**	640	–	640
Edmond Scanlon	**9,611**	**8,195**	**17,806**	9,611	5,056	14,667
- Deferred[1]	**–**	***7,628***	***7,628***	–	*4,481*	*4,481*
Philip Toomey	**6,000**	**–**	**6,000**	6,000	–	6,000
Company Secretary						
Ronan Deasy	**3,230**	**998**	**4,228**	3,230	1,528	4,758
- Deferred[1]	**–**	***2,415***	***2,415***	–	*1,862*	*1,862*

Note 1: The deferred shares and share options above, relate to 25% of the Executive Directors 2017 and 2018 STIP awards and 50% of the 2015 and 2016 LTIP award (vested in March 2018 and 2019 respectively). These awards are subject to a two year deferral period and will be delivered in shares/share options in March 2020 and March 2021 respectively.

Shareholding Guidelines

The table below sets out the Executive Directors' shareholding at 31 December 2019 shown as a multiple of basic salary. Refer to the Remuneration Policy Table on page 124 in Section C for details of the Executive Director shareholding requirements.

Table 10: Individual Shareholding as a Multiple of Basic Salary

Executive Director	As a Multiple of Basic Salary[1]
Edmond Scanlon[2]	**2.4x**
Marguerite Larkin[3]	**0.3x**
Gerry Behan	**8.7x**

Note 1: The share price used to calculate the above is the share price as at 31 December 2019 and shareholding is based on all shares held and vested option awards (including deferred) reflected in table 9 on page 136.

Note 2: Edmond Scanlon has met his minimum shareholding requirement being 2x basic salary.

Note 3: Marguerite Larkin, in line with policy, has five years from the date on her appointment in September 2018 to increase her shareholding to the minimum 1.8x basic salary.

TSR Performance and Chief Executive Officer Remuneration

The graph below illustrates the TSR performance of the Group over the past ten years showing the increase in value of €100 invested in Group's shares from 31 December 2009 to 31 December 2019. Also outlined in the table on page 138, the remuneration of the Chief Executive Officer is calculated in line with the methodology captured under legislation which was enacted for UK incorporated companies.

10 Year Total Shareholder Return
(Value of €100 Invested on 31/12/2009)

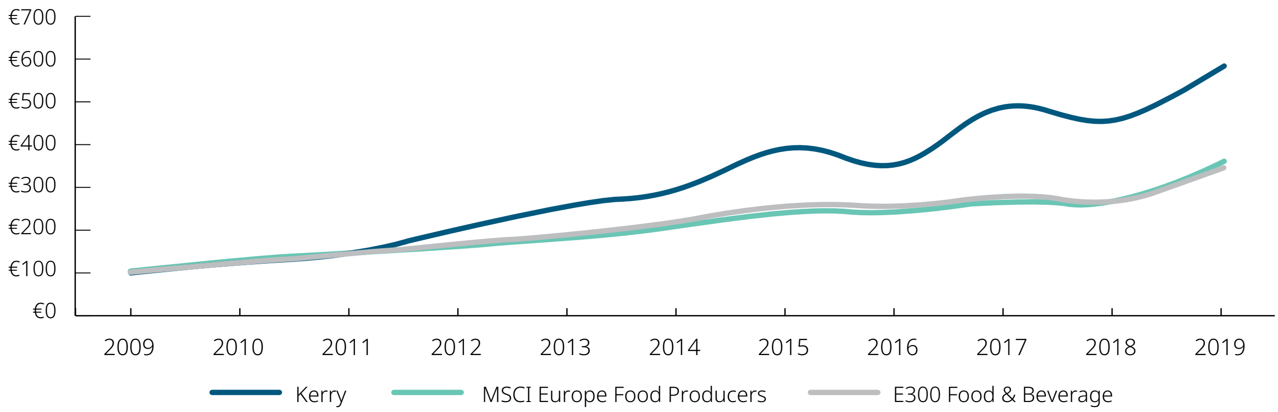


Table 11: Remuneration Paid to the CEO 2010 – 2019

	Total remuneration €'000	Annual incentive achieved as a % of maximum	LTIP achieved as a % of maximum
CEO – Stan McCarthy			
2010	2,116	90%	N/A[1]
2011	3,283	73%	100%
2012	3,538	74%	100%
2013	3,592	70%	100%
2014	3,283	57%	91.9%
2015	4,161	58%	61.8%[2]
2016	3,625	62%	29.4%
2017	5,285	75%	62.3%
CEO – Edmond Scanlon			
2017[3]	808	75%	62.3%
2018	2,577	60%	63.7%
2019	3,991	76%	62.8%

Note 1: There was no LTIP with a performance period ending in 2010.
Note 2: This is the combined average of the 2015 LTIP paid out from the 2006 and 2013 plans.
Note 3: Edmond Scanlon was appointed CEO and to the Board on 1 October 2017 and his remuneration reflected in the table above relates to remuneration from that date.

Table 12: CEO Pay v Normal Employee Pay Comparison

In line with the European Shareholders Rights Directive (which has not yet been transposed into Irish law), outlined below is the annual change over the last five financial years for:
– the remuneration of the CEO;
– the average remuneration of employees of the Company (calculated on a full time equivalent basis) other than directors; and
– the performance of the company.

	2015	2016	2017*	2018**	2019
Chief Executive Officer					
Basic pay YoY % change	2%	9%	2.5%	0%	10.5%
All Group Employees					
Average basic pay YoY % change	3.6%	3.5%	3.1%	2.8%	2.9%

* Based on Stan McCarthy's basic pay and annual incentive
** Based on Edmond Scanlon's basic pay and annual incentive

Performance of the Company: 5 Year Total Shareholder Return

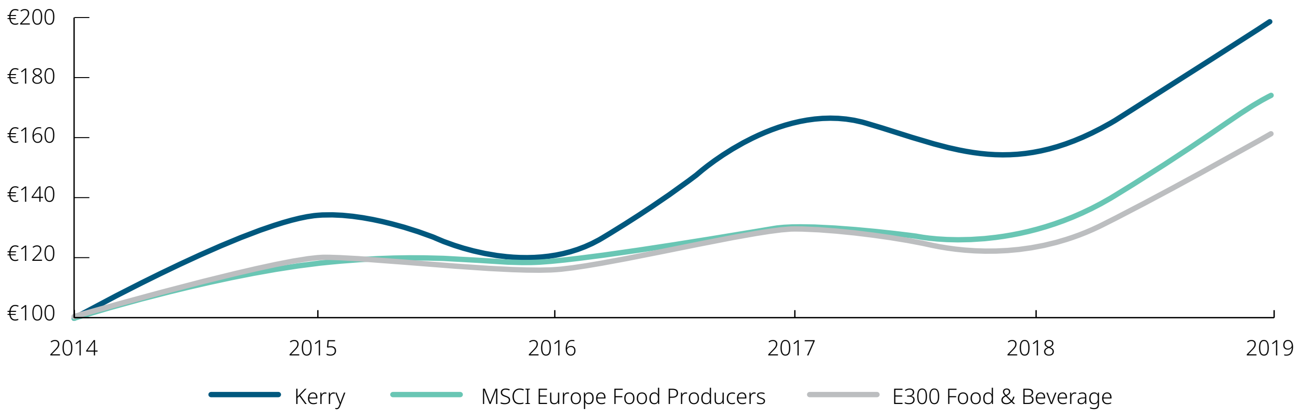


Table 13: CEO Ratio

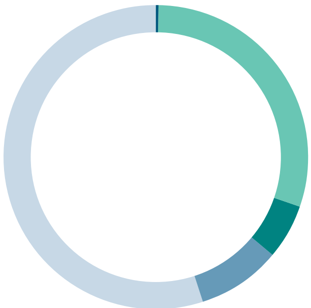
The UK Companies (Miscellaneous Reporting) Regulations 2018 require certain UK incorporated companies to publish the ratio of CEO remuneration to UK staff pay. Although not a requirement for Irish incorporated companies, the ratio of the CEO's total remuneration to that of the median Irish employee is disclosed in the table below in line with the Group's commitment to ensure that its remuneration policies, practices and reporting reflect best corporate governance practices.

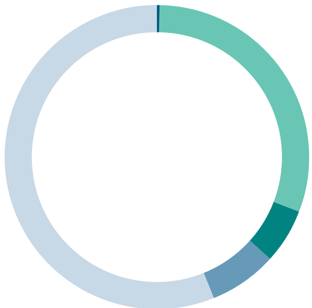
	€
Chief Executive Officer's: Total remuneration	3,991,000
Median Irish employee: Total remuneration	40,592
Median Irish employee: Salary only	37,823
Median pay ratio – Total remuneration	**98x**
Median pay ratio – excluding all variable short and long term incentives	**34x**

The Committee believes that our senior executives should have a significant proportion of their pay directly linked to Group performance in order to drive alignment with shareholders. A significant portion of the Chief Executive Officer's remuneration is therefore delivered through the Group's short term and long term performance related incentives, where awards are linked to Group performance and share price movements over time. The median Irish employee does not participate in the Group's short term or long term performance related incentive plans, with the result that total remuneration ratios may fluctuate from year to year. The Committee has therefore also provided the median pay ratio excluding short term and long term incentives. In providing the CEO ratio we have used Method C as set out in the regulations but have applied the principles of Method A.

Relative Importance of Spend on Pay

The total amount spent on Executive Director remuneration (including Long Term Incentive Plan) and overall employee pay is outlined below in relation to retained profit, dividends paid and taxation paid.





Dilution

The Group offers Executive Directors and senior management the opportunity to participate in share based schemes as part of the Group's remuneration policy. In line with best practice guidelines, the Company ensures that the level of share awards granted under these schemes, over a rolling ten year period, does not exceed 10% of the Group's share capital. The dilution resulting from vested share awards/share options for the ten year period to 31 December 2019 is 0.9%. This level of dilution is well below the maximum dilution level recommended for executive share based incentive plans.

The potential future dilution level from unvested share awards/share options as a result of these schemes is a further 0.7%.

Statement on Shareholder Voting

Below is an overview of the voting which took place at the most recent AGMs to approve the Directors' Remuneration Policy and the Directors Remuneration Report.

Table 14: Votes on Remuneration

Total Votes Cast	Votes For	Votes Against	Votes Withheld/Abstained
Remuneration Policy (2018 AGM)			
100,762,070	98,418,376	2,343,694	261,701
	97.7%	2.3%	
Directors Remuneration Report (2019 AGM)			
104,363,190	98,494,564	5,868,626	2,162,326
	94.4%	5.6%	

The Committee appreciates the level of support shown by the shareholders for the Remuneration Report and is committed to continued consultation with shareholders with regard to the remuneration policy.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KERRY GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion, Kerry Group plc's consolidated financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the Group's and the Company's assets, liabilities and financial position as at 31 December 2019 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2014; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014 and, as regards the consolidated financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report, which comprise:

- the Consolidated and Company balance sheets as at 31 December 2019;
- the Consolidated income statement and Consolidated statement of comprehensive income for the year then ended;
- the Consolidated and Company statements of cash flow for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a description of the significant accounting policies.

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements and are described as being an integral part of the financial statements as set out in the basis of preparation on page 154. These are cross-referenced from the financial statements and are identified as audited.

Our opinion is consistent with our reporting to the Audit Committee.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the Group, in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion, the consolidated financial statements comply with IFRSs as issued by the IASB.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) ('ISAs (Ireland)') and applicable law. Our responsibilities under ISAs (Ireland) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

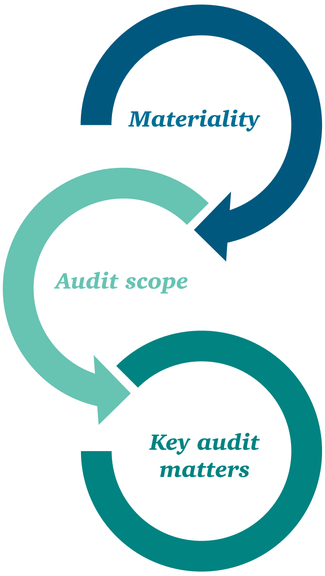
We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Ireland, which includes IAASA's Ethical Standard as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by IAASA's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in note 3 to the financial statements, we have provided no non-audit services to the Group or the Company in the period from 1 January 2019 to 31 December 2019.

Our Audit Approach

Overview



Materiality

- €38 million (2018: €33.5 million) - Consolidated financial statements.
- Based on approximately 5% of profit before taxation and non-trading items.
- €8 million (2018: €7.3 million) - Company financial statements.
- Based on approximately 1% of net assets of the Company.

Audit scope

- We conducted audit work in 40 reporting components. We paid particular attention to these components due to their size or characteristics and to ensure appropriate audit coverage. An audit on the full financial information of 36 components was performed and specified procedures on selected account balances of a further 4 components were performed. We also performed audit work at each of the principal shared service centres.
- Taken together, the reporting components where an audit on the full financial information was performed accounted for in excess of 90% of Group revenues and Group profit before taxation and non-trading items.

Key audit matters

- Goodwill and indefinite life intangible assets impairment assessment.
- Business combinations.
- Income taxes.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Goodwill and indefinite life intangible assets impairment assessment Refer to note 1 'Statement of accounting policies' and note 12 'Intangible assets'. The Group has goodwill and indefinite life intangible assets of €3,911 million at 31 December 2019 representing approximately 41% of the Group's total assets at year end. Goodwill and indefinite life intangible assets are subject to impairment testing on an annual basis or more frequently if there are indicators of impairment. We focused on this area given the scale of the assets and because the determination of whether an impairment charge for goodwill or indefinite life intangible assets was necessary involves significant judgement in estimating the future results of the business and determining the appropriate discount rate to use.	Our audit team assisted by our in-house valuation experts interrogated the Group's impairment models and evaluated the methodology followed and key assumptions used. We assessed management's future cash flow forecasts, and the process by which they were drawn up, and concluded they were consistent with the latest management approved five year forecast. In evaluating these forecasts we considered the Group's historic performance and its past record of achieving strategic objectives. We also tested the mathematical accuracy of the cash flow model. We satisfied ourselves as to the appropriateness of the Group's forecast growth rate assumptions used to calculate terminal values at year five, by comparing them to independent sources (for example, OECD statistics) of projected growth rates for each region. We challenged management's calculation of the discount rates used by recalculating an acceptable range of discount rates (adjusted to reflect risks associated with each Group of CGUs) using observable inputs from independent external sources and concluded the discount rates used by management fell within that range. We performed our own sensitivity analysis on the impact of changes in key assumptions on the impairment assessment, for example the cash flows, discount rates and the rates of growth assumed by management. We assessed the appropriateness of the related disclosures within the financial statements.

Key audit matter	How our audit addressed the key audit matter
Business combinations Refer to note 1 'Statement of accounting policies' and note 30 'Business combinations'. The Group completed 11 acquisitions during 2019, the most significant of which were Southeastern Mills and Ariake U.S.A., Inc. which are both in the Americas region of the Taste and Nutrition segment. The Group was required to determine the fair values of all acquired assets and liabilities including the identification and valuation of intangible assets. The most significant acquired asset in all cases was brand related intangibles. In accordance with IFRS3, 'Business Combinations', with the exception of the Southeastern Mills acquisition which has been finalised, the valuations referred to above have been prepared on a provisional basis. The Group will finalise its valuations within the 12-month measurement period. We focused on this area as significant judgement is exercised in selecting an appropriate valuation model. Judgement is also exercised in determining assumptions such as revenue growth rates and the excess earnings rate which underlie the cash flows in the models. Other important estimates include the discount rate and contributory asset charge.	We obtained and evaluated the reports prepared by management's valuation specialists to value brand related intangibles. We were assisted by our in-house valuation experts in assessing the reasonableness of the valuation methodologies and assumptions used by the Group. We considered the assumptions used to derive the cash flows underlying the valuation model, (including the growth rate and the excess earnings rate) by agreeing them to the board approved business case and external data where available. We also considered the discount rate and contributory asset charge in light of the acquiree's industry and geography. We were satisfied that the methodology and assumptions used were reasonable.
Income taxes Refer to note 1 'Statement of accounting policies', note 7 'Income taxes' and note 17 'Deferred tax assets and liabilities'. The global nature of the Group means that it operates across a large number of jurisdictions and is subject to periodic challenges by local tax authorities on a range of tax matters during the normal course of business. Tax legislation is open to different interpretations and the tax treatments of many items is uncertain. Tax audits can require several years to conclude, and transfer pricing judgements may impact the Group's tax liabilities. Management judgement and estimation is required in the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities. This area required our focus due to its inherent complexity and the estimation and judgement involved in the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities.	We obtained an understanding of the Group tax strategy through discussions with management and the Group's in-house tax specialists. The team, assisted by PwC International and Irish taxation specialists, challenged judgements used and estimates made by management to measure uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities. This included obtaining explanations regarding the tax treatment applied to material transactions and evidence to corroborate management's explanations. Such evidence included management's communications with local tax authorities and copies of the tax advice obtained by management from its external tax advisors. Based on the evidence obtained, while noting the inherent uncertainty with such tax matters, we determined the measurement of uncertain tax positions in the context of the recognition of current and deferred tax assets/liabilities as at 31 December 2019 to be within an acceptable range of reasonable estimates.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, including those performed at the Group's shared service centres and the industry in which the Group operates.

The Group is structured along two operating segments: Taste & Nutrition and Consumer Foods across 32 countries. The majority of the Group's components are supported by one of five principal shared service centres in Ireland, Malaysia, the United Kingdom and the United States.

We determined that an audit of the full financial information should be performed at 36 components due to their size or risk characteristics and to ensure appropriate coverage. These 36 components span 13 countries and included components that control central Group functions such as Treasury and Employee Benefits. Taken collectively these components represent the principal business of the Group and account for in excess of 90% of Group revenue and Group profit before taxation and non-trading items. Specific audit procedures on certain balances and transactions were performed at 4 of the remaining reporting components primarily to ensure appropriate audit coverage.

The Group team performed the audit of the central function components and component auditors within PwC ROI and from other PwC network firms, operating under our instruction, performed the audit on all other components and the required supporting audit work at each of the five principal shared service centres.

The Group team were responsible for the scope and direction of the audit. Where the work was performed by component auditors, we determined the level of involvement the Group team needed to have to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

In the current year, senior representatives from the Group team continued a programme of planned site visits that is designed so that senior team members will visit the full scope audit locations regularly on a rotational basis. During 2019, the Group team visited component locations in Ireland, the USA and Asia Pacific.

These visits involved meeting with our component teams to confirm their audit approach. The visits also involved discussing and understanding the significant audit risk areas, holding meetings with local management, and obtaining updates on local laws and regulations and other relevant matters. In addition to the visits noted above, the Group team interacted regularly with the component teams during all stages of the audit. Post audit conference calls were held with all in scope audit teams to discuss their final key audit findings which were reviewed in detail by members of the Group team. In addition to this, the Group engagement team reviewed certain audit working papers of significant components.

This, together with audit procedures performed by the Group team over IT systems, treasury, post-retirement benefits, the consolidation process and key audit matters including uncertain tax positions, impairment testing of goodwill and indefinite lived intangible assets, and business combinations, gave us the evidence we needed for our opinion on the consolidated financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Consolidated financial statements	Company financial statements
Overall materiality	€38 million (2018: €33.5 million).	€8 million (2018: €7.3 million).
How we determined it	Approximately 5% of profit before taxation and non-trading items.	Approximately 1% of net assets of the Company.
Rationale for benchmark applied	We applied this benchmark because in our view this is a metric against which the recurring performance of the Group is commonly measured by its stakeholders and it results in using a materiality level that excludes the impact of volatility in earnings.	The entity is a holding Company whose main activity is the management of investments in subsidiaries.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €1.8 million (Group audit) (2018: €1.7 million) and €400,000 (Company audit) (2018: €360,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (Ireland) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the directors' identification of any material uncertainties to the Group's or the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Company's ability to continue as a going concern.
We are required to report if the directors' statement relating to going concern in accordance with Rule 6.1.82 (3) (a) of the Listing Rules for Euronext Dublin is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Directors' Report, we also considered whether the disclosures required by the Companies Act 2014 (excluding the information included in the 'Non Financial Statement' as defined by that Act on which we are not required to report) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (Ireland), the Companies Act 2014 (CA14) and the Listing Rules applicable to the Company (Listing Rules) require us to also report certain opinions and matters as described below (required by ISAs (Ireland) unless otherwise stated).

Directors' Report

- In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report (excluding the information included in the 'Non Financial Statement' on which we are not required to report) for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with the applicable legal requirements. (CA14)
- Based on our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report (excluding the information included in the 'Non Financial Statement' on which we are not required to report). (CA14)

Corporate governance statement

- In our opinion, based on the work undertaken in the course of the audit of the financial statements,
  - the description of the main features of the internal control and risk management systems in relation to the financial reporting process included in the Corporate Governance Report; and
  - the information required by Section 1373(2)(d) of the Companies Act 2014 included in the Report of the Directors;

is consistent with the financial statements and has been prepared in accordance with section 1373(2) of the Companies Act 2014. (CA14)

- Based on our knowledge and understanding of the Company and its environment obtained in the course of the audit of the financial statements, we have not identified material misstatements in the description of the main features of the internal control and risk management systems in relation to the financial reporting process and the information required by section 1373(2)(d) of the Companies Act 2014 included in the Corporate Governance Report and the Report of the Directors. (CA14)
- In our opinion, based on the work undertaken during the course of the audit of the financial statements, the information required by section 1373(2)(a),(b),(e) and (f) of the Companies Act 2014 and regulation 6 of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 is contained in the Directors' Report. (CA14)

The directors' assessment of the prospects of the Group and of the principal risks that would threaten the solvency or liquidity of the Group

We have nothing material to add or to draw attention to regarding:

- The directors' confirmation on page 106 of the Annual Report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.
- The disclosures in the Annual Report that describe those risks and explain how they are being managed or mitigated.
- The directors' explanation on page 88 of the Annual Report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the directors' statement that they have carried out a robust assessment of the principal risks facing the Group and the directors' statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit. (Listing Rules)

Other Code provisions

We have nothing to report in respect of our responsibility to report when:

- The statement given by the directors on page 95 that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for the members to assess the Group's and Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on page 109 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.
- The directors' statement relating to the Company's compliance with the Code and the Irish Corporate Governance Annex does not properly disclose a departure from a relevant provision of the Code or the Annex specified, under the Listing Rules, for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibility Statement set out on page 95, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA website at: https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with section 391 of the Companies Act 2014 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2014 opinions on other matters

- We have obtained all the information and explanations which we consider necessary for the purposes of our audit.
- In our opinion the accounting records of the Company were sufficient to permit the Company financial statements to be readily and properly audited.
- The Company balance sheet is in agreement with the accounting records.

Other exception reporting

Directors' remuneration and transactions

Under the Companies Act 2014 we are required to report to you if, in our opinion, the disclosures of directors' remuneration and transactions specified by sections 305 to 312 of that Act have not been made. We have no exceptions to report arising from this responsibility.

We are required by the Listing Rules to review the six specified elements of disclosures in the report to shareholders by the Board on directors' remuneration. We have no exceptions to report arising from this responsibility.

Prior financial year Non Financial Statement

We are required to report if the Company has not provided the information required by Regulation 5(2) to 5(7) of the European Union (Disclosure of Non-Financial and Diversity Information by certain large undertakings and Groups) Regulations 2017 in respect of the prior financial year. We have nothing to report arising from this responsibility.

Appointment

We were appointed by the members on 28 April 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 4 years, covering the years ended 31 December 2016 to 31 December 2019.

John McDonnell
for and on behalf of PricewaterhouseCoopers
Chartered Accountants and Statutory Audit Firm
Dublin

17 February 2020

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	**Before Non-Trading Items 2019 €'m**	**Non-Trading Items 2019 €'m**	**Total 2019 €'m**	Before Non-Trading Items 2018 €'m	Non-Trading Items 2018 €'m	Total 2018 €'m
Continuing operations							
Revenue	2	**7,241.3**	**-**	**7,241.3**	6,607.6	-	6,607.6
Trading profit	2/3	**902.7**	**-**	**902.7**	805.6	-	805.6
Intangible asset amortisation	12	**(64.3)**	**-**	**(64.3)**	(53.8)	-	(53.8)
Non-trading items	5	**-**	**(110.9)**	**(110.9)**	-	(66.9)	(66.9)
Operating profit	3	**838.4**	**(110.9)**	**727.5**	751.8	(66.9)	684.9
Finance income	6	**0.3**	**-**	**0.3**	0.5	-	0.5
Finance costs	6	**(81.9)**	**-**	**(81.9)**	(67.5)	-	(67.5)
Profit before taxation		**756.8**	**(110.9)**	**645.9**	684.8	(66.9)	617.9
Income taxes	7	**(98.6)**	**19.2**	**(79.4)**	(89.2)	11.8	(77.4)
Profit after taxation attributable to owners of the parent		**658.2**	**(91.7)**	**566.5**	595.6	(55.1)	540.5
Earnings per A ordinary share				**Cent**			Cent
- basic	9			**320.4**			305.9
- diluted	9			**319.9**			305.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 €'m**	2018 €'m
Profit after taxation attributable to owners of the parent		**566.5**	540.5
Other comprehensive income:			
Items that are or may be reclassified subsequently to profit or loss:			
Fair value movements on cash flow hedges		**7.2**	2.2
Cash flow hedges - reclassified to profit or loss from equity	24	**0.1**	(2.5)
Net change in cost of hedging	24	**0.6**	(2.0)
Deferred tax effect of fair value movements on cash flow hedges	17	**(1.4)**	(0.2)
Exchange difference on translation of foreign operations		**67.0**	(0.9)
Fair value movement on revaluation of financial assets held at fair value through other comprehensive income	13	**(1.0)**	(1.9)
Items that will not be reclassified subsequently to profit or loss:			
Re-measurement on retirement benefits obligation	26	**14.0**	34.5
Deferred tax effect of re-measurement on retirement benefits obligation	17	**(2.0)**	(6.3)
Net income recognised directly in total other comprehensive income		**84.5**	22.9
Total comprehensive income		**651.0**	563.4

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Notes	**31 December 2019 €'m**	31 December 2018 €'m
Non-current assets			
Property, plant and equipment	11	**2,062.9**	1,767.0
Intangible assets	12	**4,589.7**	4,095.6
Financial asset investments	13	**41.7**	35.3
Investment in associates and joint ventures	14	**16.2**	15.6
Other non-current financial instruments	23	**82.7**	101.7
Deferred tax assets	17	**38.9**	37.1
		6,832.1	6,052.3
Current assets			
Inventories	16	**993.3**	877.8
Trade and other receivables	19	**1,066.3**	967.8
Cash at bank and in hand	23	**554.9**	413.8
Other current financial instruments	23	**57.7**	10.0
Assets classified as held for sale	18	**-**	2.0
		2,672.2	2,271.4
Total assets		**9,504.3**	8,323.7
Current liabilities			
Trade and other payables	20	**1,643.0**	1,482.1
Borrowings and overdrafts	23	**190.8**	13.8
Other current financial instruments	23	**12.1**	11.0
Tax liabilities		**140.7**	122.4
Provisions	25	**25.2**	20.3
Deferred income	21	**2.2**	1.2
		2,014.0	1,650.8
Non-current liabilities			
Borrowings	23	**2,355.3**	2,119.7
Other non-current financial instruments	23	**-**	5.6
Retirement benefits obligation	26	**11.9**	53.2
Other non-current liabilities	22	**167.9**	82.6
Deferred tax liabilities	17	**338.9**	324.1
Provisions	25	**33.2**	32.1
Deferred income	21	**20.9**	21.2
		2,928.1	2,638.5
Total liabilities		**4,942.1**	4,289.3
Net assets		**4,562.2**	4,034.4
Issued capital and reserves attributable to owners of the parent			
Share capital	27	**22.1**	22.0
Share premium		**398.7**	398.7
Other reserves		**(119.0)**	(207.3)
Retained earnings		**4,260.4**	3,821.0
Shareholders' equity		**4,562.2**	4,034.4

The financial statements were approved by the Board of Directors on 17 February 2020 and signed on its behalf by:

Philip Toomey, Chairman Edmond Scanlon, Chief Executive Officer

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2019

	Notes	**31 December 2019 €'m**	31 December 2018 €'m
Non-current assets			
Property, plant and equipment	11	**0.3**	0.3
Investments in subsidiaries	15	**714.4**	714.4
		714.7	714.7
Current assets			
Trade and other receivables	19	**135.8**	94.1
		135.8	94.1
Total assets		**850.5**	808.8
Current liabilities			
Trade and other payables	20	**21.5**	6.3
		21.5	6.3
Non-current liabilities			
Deferred income	21	**0.1**	0.1
		0.1	0.1
Total liabilities		**21.6**	6.4
Net assets		**828.9**	802.4
Issued capital and reserves			
Share capital	27	**22.1**	22.0
Share premium		**398.7**	398.7
Other reserves		**79.7**	65.3
Retained earnings		**328.4**	316.4
Shareholders' equity		**828.9**	802.4

The Company earned a profit after taxation of **€140.3m** for the financial year ended 31 December 2019 (2018: €158.9m).

The financial statements were approved by the Board of Directors on 17 February 2020 and signed on its behalf by:

Philip Toomey, Chairman

Edmond Scanlon, Chief Executive Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Group:						
At 1 January 2018		22.0	398.7	(214.4)	3,366.9	3,573.2
Profit after tax attributable to owners of the parent		-	-	-	540.5	540.5
Other comprehensive (expense)/income		-	-	(5.1)	28.0	22.9
Total comprehensive (expense)/income		-	-	(5.1)	568.5	563.4
Dividends paid	10	-	-	-	(114.4)	(114.4)
Share-based payment expense	28	-	-	12.2	-	12.2
At 31 December 2018		22.0	398.7	(207.3)	3,821.0	4,034.4
Adjustment on initial application of IFRS 16 'Leases'	11	**-**	**-**	**-**	**(9.4)**	**(9.4)**
Adjusted balances at 1 January 2019		**22.0**	**398.7**	**(207.3)**	**3,811.6**	**4,025.0**
Profit after tax attributable to owners of the parent		**-**	**-**	**-**	**566.5**	**566.5**
Other comprehensive income		**-**	**-**	**73.9**	**10.6**	**84.5**
Total comprehensive income		**-**	**-**	**73.9**	**577.1**	**651.0**
Shares issued during the financial year	27	**0.1**	**-**	**-**	**-**	**0.1**
Dividends paid	10	**-**	**-**	**-**	**(128.3)**	**(128.3)**
Share-based payment expense	28	**-**	**-**	**14.4**	**-**	**14.4**
At 31 December 2019		**22.1**	**398.7**	**(119.0)**	**4,260.4**	**4,562.2**

Other Reserves comprise the following:

	Note	FVOCI Reserve €'m	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Translation Reserve €'m	Hedging Reserve €'m	Cost of Hedging Reserve €'m	Total €'m
At 1 January 2018		3.5	1.7	0.3	51.1	(255.8)	(15.2)	-	(214.4)
Other comprehensive expense		(1.9)	-	-	-	(0.9)	(0.3)	(2.0)	(5.1)
Share-based payment expense	28	-	-	-	12.2	-	-	-	12.2
At 31 December 2018		1.6	1.7	0.3	63.3	(256.7)	(15.5)	(2.0)	(207.3)
Other comprehensive (expense)/income		**(1.0)**	**-**	**-**	**-**	**67.0**	**7.3**	**0.6**	**73.9**
Share-based payment expense	28	**-**	**-**	**-**	**14.4**	**-**	**-**	**-**	**14.4**
At 31 December 2019		**0.6**	**1.7**	**0.3**	**77.7**	**(189.7)**	**(8.2)**	**(1.4)**	**(119.0)**

The nature and purpose of each reserve within shareholders' equity are described in note 35.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	Share Capital €'m	Share Premium €'m	Other Reserves €'m	Retained Earnings €'m	Total €'m
Company:						
At 1 January 2018		22.0	398.7	53.1	271.9	745.7
Profit after tax	8	-	-	-	158.9	158.9
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	158.9	158.9
Dividends paid	10	-	-	-	(114.4)	(114.4)
Share-based payment expense	28	-	-	12.2	-	12.2
At 31 December 2018		22.0	398.7	65.3	316.4	802.4
Profit after tax	8	**-**	**-**	**-**	**140.3**	**140.3**
Other comprehensive income		**-**	**-**	**-**	**-**	**-**
Total comprehensive income		**-**	**-**	**-**	**140.3**	**140.3**
Shares issued during the financial year	27	**0.1**	**-**	**-**	**-**	**0.1**
Dividends paid	10	**-**	**-**	**-**	**(128.3)**	**(128.3)**
Share-based payment expense	28	**-**	**-**	**14.4**	**-**	**14.4**
At 31 December 2019		**22.1**	**398.7**	**79.7**	**328.4**	**828.9**

Other Reserves comprise the following:

	Note	Capital Redemption Reserve €'m	Other Undenominated Capital €'m	Share-Based Payment Reserve €'m	Total €'m
At 1 January 2018		1.7	0.3	51.1	53.1
Share-based payment expense	28	-	-	12.2	12.2
At 31 December 2018		1.7	0.3	63.3	65.3
Share-based payment expense	28	**-**	**-**	**14.4**	**14.4**
At 31 December 2019		**1.7**	**0.3**	**77.7**	**79.7**

The nature and purpose of each reserve within shareholders' equity are described in note 35.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 €'m**	2018 €'m
Operating activities			
Trading profit	29	**902.7**	805.6
Adjustments for:			
Depreciation (net)		**191.4**	134.1
Change in working capital	29	**(63.9)**	(78.8)
Pension contributions paid less pension expense		**(26.7)**	(40.0)
Payments on non-trading items		**(89.1)**	(59.8)
Exchange translation adjustment		**(2.5)**	0.5
Cash generated from operations		**911.9**	761.6
Income taxes paid		**(67.2)**	(46.1)
Finance income received		**0.5**	0.5
Finance costs paid		**(81.3)**	(65.0)
Net cash from operating activities		**763.9**	651.0
Investing activities			
Purchase of assets (net)	29	**(315.6)**	(296.1)
Proceeds from the sale of assets	5	**32.8**	10.6
Capital grants received		**3.0**	-
Purchase of businesses (net of cash acquired)	30	**(562.7)**	(476.8)
Payments relating to previous acquisitions		**(5.3)**	(11.9)
Purchase of share in associates and joint ventures		**-**	(14.5)
Income received from associates and joint ventures	14	**-**	-
Net cash used in investing activities		**(847.8)**	(788.7)
Financing activities			
Dividends paid	10	**(128.3)**	(114.4)
Payment of lease liabilities	11	**(35.5)**	-
Issue of share capital	27	**0.1**	-
Repayment of borrowings		**(564.4)**	(2.5)
Increase in borrowings		**950.0**	352.7
Net cash movement due to financing activities		**221.9**	235.8
Net increase in cash and cash equivalents		**138.0**	98.1
Cash and cash equivalents at beginning of the financial year		403.9	305.6
Exchange translation adjustment on cash and cash equivalents		**7.8**	0.2
Cash and cash equivalents at end of the financial year	29	**549.7**	403.9

Reconciliation of Net Cash Flow to Movement in Net Debt			
Net increase in cash and cash equivalents		**138.0**	98.1
Cash flow from debt financing		**(385.6)**	(350.2)
Changes in net debt resulting from cash flows		**(247.6)**	(252.1)
Fair value movement on interest rate swaps (net of adjustment to borrowings)	29	**12.5**	(2.6)
Exchange translation adjustment on net debt	29	**(4.2)**	(27.1)
Movement in net debt in the financial year		**(239.3)**	(281.8)
Net debt at beginning of the financial year		(1,623.5)	(1,341.7)
Net debt at end of the financial year	23	**(1,862.8)**	(1,623.5)

COMPANY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Notes	2019 €'m	2018 €'m
Operating activities			
Trading profit	29	**152.4**	154.9
Adjustments for:			
Depreciation	11	**-**	0.1
Change in working capital	29	**(22.7)**	36.1
Payments on non-trading items		**(1.5)**	-
Net cash from operating activities		**128.2**	191.1
Investing activities			
Investments in subsidiary undertakings	15	**-**	(76.7)
Net cash from investing activities		**-**	(76.7)
Financing activities			
Dividends paid	10	**(128.3)**	(114.4)
Issue of share capital	27	**0.1**	-
Net cash movement due to financing activities		**(128.2)**	(114.4)
Net increase in cash and cash equivalents		**-**	-
Cash and cash equivalents at beginning of the financial year		-	-
Cash and cash equivalents at end of the financial year	29	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

1. Statement of accounting policies

General information

Kerry Group plc is a public limited company incorporated in the Republic of Ireland. The registered number is 111471 and registered office address is Prince's Street, Tralee, Co. Kerry, V92 EH11, Ireland. The principal activities of the Company and its subsidiaries are described in the Business Reviews and note 36 'Group entities'.

Basis of preparation

The consolidated financial statements of Kerry Group plc have been prepared in accordance with International Financial Reporting Standards ('IFRS'), International Financial Reporting Interpretations Committee ('IFRIC') interpretations and those parts of the Companies Act, 2014 applicable to companies reporting under IFRS. The financial statements comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows and the notes to the financial statements. The financial statements include the information in the remuneration report that is described as being an integral part of the financial statements. Both the Parent Company and Group financial statements have also been prepared in accordance with IFRS adopted by the European Union ('EU') which comprise standards and interpretations approved by the International Accounting Standards Board ('IASB'). The Group financial statements comply with Article 4 of the EU IAS Regulation. IFRS adopted by the EU differs in certain respects from IFRS issued by the IASB. References to IFRS hereafter refer to IFRS adopted by the EU.

The Parent Company's financial statements are prepared using accounting policies consistent with the accounting policies applied to the consolidated financial statements by the Group.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative financial instruments) and financial asset investments which are held at fair value. Assets classified as held for sale are stated at the lower of carrying value and fair value less costs to sell. The investments in associates and joint ventures are accounted for using the equity method.

The consolidated and company financial statements have been prepared on a going concern basis of accounting.

The consolidated financial statements contained herein are presented in euro, which is the functional currency of the Parent Company, Kerry Group plc. The functional currencies of the Group's main subsidiaries are euro, US dollar and sterling.

In the 2019 consolidated financial statements, the Group has re-presented corresponding 2018 balances to align with current year presentation in operating profit (note 3).

The comparative amount for other general overheads of €808.7m was previously disclosed as other external charges of €445.1m and other operating charges of €363.6m. These changes in presentation do not impact on the classification of any line items on the Group's Consolidated Income Statement, Balance Sheet or other primary statements.

Certain income statement headings and other financial measures included in the consolidated financial statements are not defined by IFRS. The Group make this distinction to give a better understanding of the financial performance of the business.

Basis of consolidation

Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (its subsidiaries), all of which prepare financial statements up to 31 December. Accounting policies of subsidiaries are consistent with the policies adopted by the Group. Control is achieved where the Company has the power over the investee, has exposure or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of during the financial year are included in the Consolidated Income Statement from the date the Company gains control until the date the Company ceases to control the subsidiary. All inter-group transactions and balances are eliminated on consolidation.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment.

The Group's share of its associates' post-acquisition profits or losses is recognised in 'Share of associates and joint ventures (profit)/loss after taxation' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any impairment in value. Where indicators of impairment arise, the carrying amount of the associate is tested for impairment by comparing its recoverable amount with its carrying amount.

1. Statement of accounting policies (continued)

Basis of consolidation (continued)

Associates (continued)

Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated to the extent that they do not provide evidence of impairment. The accounting policies of associates are amended where necessary to ensure consistency of accounting treatment at Group level.

Joint ventures

Joint ventures are all entities over which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Investments in joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. On acquisition of the investment in joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying value of the investment.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in 'Share of associates and joint ventures (profit)/loss after taxation' within Trading Profit in the Consolidated Income Statement, and its share of post-acquisition movements in reserves is recognised in reserves until the date on which joint control ceases. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment, less any impairment in value. Where indicators of impairment arise, the carrying amount of the joint venture is tested for impairment by comparing its recoverable amount with its carrying amount.

Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated to the extent that they do not provide evidence of impairment. The accounting policies of joint ventures are amended where necessary to ensure consistency of accounting treatment at Group level.

Revenue

Revenue represents the value of the consideration received or receivable, for taste and nutrition applications and consumer foods chilled food products, from third party customers. Revenue is recorded at invoice value, net of discounts, allowances, volume and promotional rebates and excludes VAT. Revenue is recognised when control of the products has transferred, which is usually upon shipment, or in line with terms agreed with individual customers. Revenue is recorded when there is no unfulfilled obligation on the part of the Group. An estimate is made on the basis of historical sales returns and is recorded to allocate these returns to the same period as the original revenue is recorded. Rebates and discounts are provided for based on agreements or contracts with customers, agreed promotional arrangements and accumulated experience using the expected value method. Any unutilised accrual is released after assessment that the likelihood of such a claim being made is highly improbable.

The Group disaggregates revenue by End Use Market (EUM) and primary geographic market. An EUM is defined as the market in which the end consumer or customer of Kerry's product operates. The economic factors within the EUMs of Food, Beverage and Pharma which affect the nature, amount, timing and uncertainty of revenue and cash flows are similar.

Trading profit

Trading profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading profit represents operating profit before specific items that are not reflective of underlying trading performance and therefore hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

Segmental analysis

Operating segments are reported in a manner consistent with the internal management structure of the Group and the internal financial information provided to the Group's Chief Operating Decision Maker (the Executive Directors) who is responsible for making strategic decisions, allocating resources, monitoring and assessing the performance of each segment. Trading profit as reported internally by segment is the key measure utilised in assessing the performance of operating segments within the Group. Other Corporate activities, such as the cost of corporate stewardship and the cost of the Kerryconnect programme, are reported along with the elimination of inter-group activities under the heading 'Group Eliminations and Unallocated'. Intangible asset amortisation, non-trading items, net finance costs and income taxes are managed on a centralised basis and therefore, these items are not allocated between operating segments and are not reported per segment in note 2.

The Group has determined it has two reportable segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition segment is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical industries across Ireland, Europe, Americas and APMEA. Our broad technology foundation, customer-centric business model, and industry leading integrated solutions capability make Kerry the co-creation partner of choice. The Consumer Foods segment is an industry-leading manufacturer of chilled food products primarily in Ireland and in the UK.

Property, plant and equipment

Property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs. Freehold land is stated at cost and is not depreciated. Depreciation on the remaining property, plant and equipment is calculated by charging equal annual instalments to the Consolidated Income Statement at the following annual rates:

- Buildings	2% - 5%
- Plant, machinery and equipment	7% - 25%
- Motor vehicles	20%

The charge in respect of periodic depreciation is calculated after establishing an estimate of the asset's useful life and the expected residual value at the end of its life. Increasing/(decreasing) an asset's expected life or its residual value would result in a (decreased)/increased depreciation charge to the Consolidated Income Statement as well as an increase/(decrease) in the carrying value of the asset.

The useful lives of Group assets are determined by management at the time the assets are acquired and reviewed annually for appropriateness. These lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Historically, changes in useful lives or residual values have not resulted in material changes to the Group's depreciation charge.

1. Statement of accounting policies (continued)

Property, plant and equipment (continued)

Assets in the course of construction for production or administrative purposes are carried at cost less any recognised impairment loss. Cost includes professional fees and other directly attributable costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other property assets.

Leasing

At the commencement date of the lease, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which consists of the initial measurement of the lease liability, any initial direct costs incurred by the Group in setting up/entering into the lease, an estimate of any costs to dismantle and remove the asset at the end of the lease and any payments made in advance of the lease commencement date (net of any incentive received).

The Group depreciates right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life or the end of the lease term. The carrying amounts of right-of-use assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

The Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the applicable incremental borrowing rate. Lease payments included in the measurement of the lease liability comprises of fixed or variable payments (based on an index or rate), amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to the initial measurement, the liability will be reduced for payments made and increased for the interest applied and it is remeasured to reflect any reassessment or contract modifications. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or in the Consolidated Income Statement if the right-of-use asset is already reduced to zero.

The Group has elected to record short-term leases of less than 12 months and leases of low-value assets as defined in IFRS 16 as an operating expense in the Consolidated Income Statement on a straight-line basis over the lease term.

The Group has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability.

The Group adopted IFRS 16 'Leases' using the modified retrospective approach. Accordingly, the comparative information has not been restated and continues to be accounted for in accordance with the Group's previous accounting policy under IAS 17 'Leases'.

Leasing policy applicable before 1 January 2019 (Operating leases)

Annual rentals payable under operating leases are charged to the Consolidated Income Statement on a straight-line basis over the period of the lease.

Assets classified as held for sale

Assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met if, at the financial year end, the sale is highly probable, the asset is available for immediate sale in its present condition, management is committed to the sale and the sale is expected to be completed within one year from the date of classification.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Intangible assets

Goodwill

Goodwill arises on business combinations and represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary entity at the date control is achieved.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous Irish/UK GAAP amounts subject to impairment testing. Goodwill written off to reserves under Irish/UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

At the date control is achieved, goodwill is allocated for the purpose of impairment testing to groups of cash generating units (CGUs) provided they represent the lowest level at which management monitor goodwill for impairment purposes. Goodwill is not amortised but is reviewed for indications of impairment at least annually and is carried at cost less accumulated impairment losses, where identified. Impairment is recognised immediately in the Consolidated Income Statement and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill (not previously written off to reserves) is included in the determination of the profit or loss on disposal.

Brand related intangibles

Brand related intangibles acquired as part of a business combination are valued at their fair value at the date control is achieved. Intangible assets determined to have an indefinite useful life are not amortised and are tested for impairment at least annually. Indefinite life intangible assets are those for which there is no foreseeable limit to their expected useful life. In arriving at the conclusion that these brand related intangibles have an indefinite life, management considers the nature and type of the intangible asset, the absence of any legal or other limits on the assets' use, the fact the business and products have a track record of stability, the high barriers to market entry and the Group's commitment to continue to invest for the long term to extend the period over which the intangible asset is expected to continue to provide economic benefits. The classification of intangible assets as indefinite is reviewed annually.

Finite life brand related intangible assets are amortised over the period of their expected useful lives, which range from 2 to 20 years, by charging equal annual instalments to the Consolidated Income Statement. The useful life used to amortise finite intangible assets relates to the future performance of the assets acquired and management's estimate of the period over which economic benefit will be derived from the asset. Historically, changes in useful lives have not resulted in material changes to the Group's amortisation charge.

1. Statement of accounting policies (continued)

Intangible assets (continued)

Computer software

Computer software separately acquired, including computer software which is not an integral part of an item of computer hardware, is stated at cost less any accumulated amortisation and any accumulated impairment losses. Cost comprises purchase price and other directly attributable costs.

Costs relating to the development of computer software for internal use are capitalised once the recognition criteria outlined as follows are met:
- an asset can be separately identified;
- it is probable that the asset created will generate future economic benefits;
- the development cost of the asset can be measured reliably;
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Computer software is amortised over its expected useful life, which ranges from 3 to 7 years, by charging equal annual instalments to the Consolidated Income Statement. Amortisation commences when the assets are ready for use.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation. They are tested annually for impairment or when indications exist that the asset may be impaired. For the purpose of assessing impairment, these assets are allocated to groups of cash generating units (CGUs) using a reasonable and consistent basis. An impairment loss is recognised immediately in the Consolidated Income Statement for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or its value in use. Value in use is determined as the discounted future cash flows of the CGU. The key assumptions during the financial year for the value in use calculations are discount rates, cash flows and growth rates.

When an impairment loss (other than on goodwill) subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, not exceeding its carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Impairment is reviewed by assessing the asset's value in use when compared to its carrying value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. An impairment loss is recognised when the carrying value of an asset exceeds its recoverable amount.

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost includes raw materials, direct labour and all other expenditure incurred in the normal course of business in bringing the products to their present location and condition. Cost is calculated at the weighted average cost incurred in acquiring inventories. Net realisable value is the estimated selling price of inventory on hand less all further costs to completion and all costs expected to be incurred in distribution and selling.

Write-downs of inventories are primarily recognised under 'raw materials and consumables' in the Consolidated Income Statement.

Income taxes

Income taxes include both current and deferred taxes. Income taxes are charged or credited to the Consolidated Income Statement except when they relate to items charged or credited directly in other comprehensive income or shareholders' equity. In this instance the income taxes are also charged or credited to other comprehensive income or shareholders' equity.

The current tax charge is calculated as the amount payable based on taxable profit and the tax rates applying to those profits in the financial year together with adjustments relating to prior years. Deferred taxes are calculated using the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

The Group is subject to uncertainties, including tax audits, in any of the jurisdictions in which it operates. The Group accounts for uncertain tax positions in line with IFRIC 23 'Uncertainty over Income Tax Treatments'. The Group considers each uncertain tax treatment separately or together with one or more uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that a taxation authority will accept an uncertain tax treatment the Group reflects the effect of the uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rate. The Group reflects the effect of uncertainty for each uncertain tax treatment using an expected value approach or a most likely approach depending on which method the Group expects to better predict the resolution of the uncertainty. The unit of account for recognition purposes is the income tax/deferred tax assets or liabilities and the Group does not provide separately for uncertain tax positions. When the final tax outcome for these items is different from amounts recorded, such differences will impact the income tax and deferred tax in the period in which such a determination is made, as well as the Group's cash position.

Deferred taxes are calculated based on the temporary differences that arise between the tax base of the asset or liability and its carrying value in the Consolidated Balance Sheet. Deferred taxes are recognised on all temporary differences in existence at the balance sheet date except for:
- temporary differences which arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect accounting or taxable profit or loss, or on the initial recognition of goodwill for which a tax deduction is not available; and
- temporary differences which arise on investments in subsidiaries where the timing of the reversal is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The recognition of a deferred tax asset is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted. Deferred tax assets are reviewed at each reporting date.

1. Statement of accounting policies (continued)

Income taxes (continued)

Current income tax assets and current income tax liabilities are offset where there is a legally enforceable right to offset the recognised amounts and the Group intends to settle on a net basis. Deferred income tax assets and deferred income tax liabilities are offset where there is a legally enforceable right to offset the recognised amounts, the deferred tax assets and deferred tax liabilities relate to taxes levied by the same taxation authority and the Group intends to settle on a net basis.

Retirement benefits obligation

Payments to defined contribution plans are recognised in the Consolidated Income Statement as they fall due and any contributions outstanding at the financial year end are included as an accrual in the Consolidated Balance Sheet.

Actuarial valuations for accounting purposes are carried out at each balance sheet date in relation to defined benefit plans, using the projected unit credit method, to determine the schemes' liabilities and the related cost of providing benefits. Scheme assets are accounted for at fair value using bid prices.

Current service cost and net interest cost are recognised in the Consolidated Income Statement as they arise. Past service cost, which can be positive or negative, is recognised immediately in the Consolidated Income Statement. Gains or losses on the curtailment or settlement of a plan are recognised in the Consolidated Income Statement when the curtailment or settlement occurs. Re-measurement on retirement benefits obligation, comprising actuarial gains and losses and the return on plan assets (excluding amounts included in net interest cost) are recognised in full in the period in which they occur in the Consolidated Statement of Comprehensive Income.

The defined benefit liability recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of any plan assets. Defined benefit assets are also recognised in the Consolidated Balance Sheet but are limited to the present value of available refunds from, and reductions in future contributions to, the plan.

Provisions

Provisions can be distinguished from other types of liability by considering the events that give rise to the obligation and the degree of uncertainty as to the amount or timing of the liability. These are recognised in the Consolidated Balance Sheet when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the Group will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the amount required to settle the present obligation at the balance sheet date, after taking account of the risks and uncertainties surrounding the obligation.

The outcome depends on future events which are by their nature uncertain. In assessing the likely outcome, management bases its assessment on historical experience and other factors that are believed to be reasonable in the circumstances. Provisions are disclosed in note 25 to the consolidated financial statements.

Non-trading items

Certain items, by virtue of their nature and amount, are disclosed separately in order for the user to obtain a proper understanding of the financial information. These items relate to events or circumstances that are not related to normal trading activities and are labelled collectively as 'non-trading items'.

Non-trading items include gains or losses on the disposal of businesses, disposal of assets (non-current assets and assets classified as held for sale), costs in preparation of disposal of assets, material restructuring costs and material transaction, integration and restructuring costs associated with acquisitions. Non-trading items are disclosed in note 5 to the consolidated financial statements.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the financial year it is incurred.

Development expenditure is assessed and capitalised as an internally generated intangible asset only if it meets all of the following criteria:

- it is technically feasible to complete the asset for use or sale;
- it is intended to complete the asset for use or sale;
- the Group has the ability to use or sell the intangible asset;
- it is probable that the asset created will generate future economic benefits;
- adequate resources are available to complete the asset for sale or use; and
- the development cost of the asset can be measured reliably.

Capitalised development costs are amortised over their expected economic lives. Where no internally generated intangible asset can be recognised, product development expenditure is recognised as an expense in the financial year it is incurred. Accordingly, the Group has not capitalised product development expenditure to date.

Grants

Grants of a capital nature are accounted for as deferred income in the Consolidated Balance Sheet and are released to the Consolidated Income Statement at the same rates as the related assets are depreciated. Grants of a revenue nature are credited to the Consolidated Income Statement to offset the matching expenditure.

Dividends

Dividends are accounted for when they are approved, through the retained earnings reserve. Dividends proposed do not meet the definition of a liability until such time as they have been approved. Dividends are disclosed in note 10 to the consolidated financial statements.

Share-based payments

The Group has granted share-based payments to Executive Directors and senior executives under a long term incentive plan and to Executive Directors under a short term incentive plan.

The equity-settled share-based awards granted under these plans are measured at the fair value of the equity instrument at the date of grant. The cost of the award is charged to the Consolidated Income Statement over the vesting period of the awards based on the probable number of awards that will eventually vest, with a corresponding credit to shareholders' equity.

1. Statement of accounting policies (continued)

Share-based payments (continued)

For the purposes of the long term incentive plan, the fair value of the award is measured using the Monte Carlo Pricing Model. For the short term incentive plan, the fair value of the expense equates directly to the cash value of the portion of the short term incentive plan that will be settled by way of shares/share options.

At the balance sheet date, the estimate of the level of vesting is reviewed and any adjustment necessary is recognised in the Consolidated Income Statement and in the Statement of Changes in Equity. Share-based payments are disclosed in note 28 to the consolidated financial statements.

Foreign currency

Foreign currency transactions are translated into functional currency at the rate of exchange ruling at the date of the transaction. Exchange differences arising from either the retranslation of the resulting monetary assets or liabilities at the exchange rate at the balance sheet date or from the settlement of the balance at a different rate are recognised in the Consolidated Income Statement when they occur.

On consolidation, the income statements of foreign currency subsidiaries are translated into euro at the average exchange rate. If this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, a weighted average rate is used. The balance sheets of such subsidiaries are translated at the rate of exchange at the balance sheet date. Resulting exchange differences arising on the translation of foreign currency subsidiaries are taken directly to a separate component of shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of foreign subsidiaries are treated as assets and liabilities of the foreign subsidiaries and are translated at the closing rate.

On disposal of a foreign currency subsidiary, the cumulative translation difference for that foreign subsidiary is recycled to the Consolidated Income Statement as part of the profit or loss on disposal.

Borrowing costs

Borrowing costs incurred for qualifying assets, which take a substantial period of time to construct, are added to the cost of the asset during the period of time required to complete and prepare the asset for its intended use. Other borrowing costs are expensed to the Consolidated Income Statement in the period in which they are incurred.

Business combinations

The acquisition method of accounting is used for the acquisition of subsidiaries. The cost of the acquisition is measured at the aggregate fair value of the consideration given. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the date the Group assumes control of the acquiree. Acquisition related costs are recognised in the Consolidated Income Statement as incurred. If the business combination is achieved in stages, the acquisition date fair value of the Group's previously held investment in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Certain assets and liabilities are not recognised at their fair value at the date control was achieved as they are accounted for using other applicable IFRSs. These include deferred tax assets/liabilities and also any assets related to employee benefit arrangements.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the valuation of the fair value of assets and liabilities acquired is still in progress. Those provisional amounts are adjusted during the measurement period of one year from the date control is achieved when additional information is obtained about facts and circumstances which would have affected the amounts recognised as of that date.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement measured at fair value at the date control is achieved. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs.

Any fair value adjustments in relation to acquisitions completed prior to 1 January 2010 have been accounted for under IFRS 3 'Business Combinations (2004)'.

Investments in subsidiaries

Investments in subsidiaries held by the Parent Company are carried at cost less accumulated impairment losses.

Investments in associates and joint ventures

Investments in associates and joint ventures held by the Group are accounted for using the equity method, after initially being recognised at cost in the Consolidated Balance Sheet.

Financial instruments

Financial assets and financial liabilities are recognised on the Consolidated Balance Sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value plus transaction costs, except for those classified as fair value through profit or loss, which are initially measured at fair value.

All financial assets are recognised and derecognised on a trade date basis, where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe of the market concerned.

Financial assets and liabilities are offset and presented on a net basis in the Consolidated Balance Sheet, only if the Group holds an enforceable legal right of set off for such amounts and there is an intention to settle on a net basis or to realise an asset and settle the liability simultaneously. In all other instances they are presented gross in the Consolidated Balance Sheet.

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.

1. Statement of accounting policies (continued)

Financial instruments (continued)

For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Debt instruments:
Subsequent measurement of debt instruments depend on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Consolidated Income Statement. Impairment losses are presented in the Consolidated Income Statement.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The Group have no debt instruments measured at FVOCI.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. In addition, assets that are irrevocably designated as FVPL at origination to eliminate or significantly reduce an accounting mismatch are also measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Consolidated Income Statement.

Equity instruments:
The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the Consolidated Income Statement following the derecognition of the investment. Dividends from such investments continue to be recognised in the Consolidated Income Statement when the Group's right to receive payments is established.

Changes in the fair value of financial assets measured at FVPL (Rabbi Trust assets) are recognised in the Consolidated Income Statement. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Trade and other receivables:
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Cash and cash equivalents:
Cash and cash equivalents carried at amortised cost consists of cash at bank and in hand, bank overdrafts held by the Group and short term bank deposits with a maturity of three months or less from the date of placement. Cash at bank and in hand and short term bank deposits are shown under current assets on the Consolidated Balance Sheet.

Bank overdrafts are shown within 'Borrowings and overdrafts' in current liabilities on the Consolidated Balance Sheet but are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows. The carrying amount of these assets and liabilities approximates to their fair value.

Financial liabilities measured at amortised cost
Other non-derivative financial liabilities consist primarily of trade and other payables and borrowings. Trade and other payables are stated at amortised cost, which approximates to their fair value given the short term nature of these liabilities. Trade and other payables are non-interest bearing.

Debt instruments are initially recorded at fair value, net of transaction costs. Subsequently they are reported at amortised cost, except for hedged debt. To the extent that debt instruments are hedged under qualifying fair value hedges, the carrying value of the debt instrument is adjusted for changes in the fair value of the hedged risk, with changes arising recognised in the Consolidated Income Statement. The fair value of the hedged item is primarily determined using the discounted cash flow basis.

Financial liabilities at fair value through profit or loss (FVPL)
Financial liabilities at FVPL arise when the financial liabilities are either derivative liabilities held for trading or they are designated upon initial recognition as FVPL.

The Group classifies as held for trading certain derivatives that are not designated and effective as a hedging instrument. The Group does not have any other financial liabilities classified as held for trading.

Impairment of financial assets
The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9 'Financial Instruments', which requires expected lifetime losses to be recognised from initial recognition of the receivables. Further detail is provided in note 19.

Derecognition of financial liabilities
The Group derecognises financial liabilities only when the Group's obligations are discharged, cancelled or expired.

Derivative financial instruments and hedge accounting
Derivatives are carried at fair value. The Group's activities expose it to risks of changes in foreign currency exchange rates and interest rates in relation to international trading and long term debt. The Group uses foreign exchange forward contracts, interest rate swaps and forward rate agreements to hedge these exposures. The Group does not use derivative financial instruments for speculative purposes. When cross currency interest rate swaps are used to hedge interest rates and foreign exchange rates, the change in the foreign currency basis spreads element of the contract that relates to the hedged item is recognised within other reserves under the cost of hedging reserve.

At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

1. Statement of accounting policies (continued)

Financial instruments (continued)

Fair value of financial instrument derivatives
The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available a discounted cash flow analysis is used based on the applicable yield curve adjusted for counterparty risk for the duration and currency of the instrument, which are observable:

- foreign exchange forward contracts are measured using quoted forward exchange rates to match the maturities of these contracts; and
- interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves adjusted for counterparty credit risk.

Cash flow hedges
Where derivatives, including forward foreign exchange contracts and floating to fixed interest rate swaps or cross currency swaps are used, they are primarily treated as cash flow hedges. The gain or loss relating to the effective portion of the interest rate swaps and cross currency interest rate swaps is recognised in other comprehensive income and is reclassified to profit or loss in the period when the hedged item is recognised through profit or loss. All effective amounts are directly offset against movements in the underlying hedged item. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. The gain or loss relating to the effective portion of forward foreign exchange contracts is recognised in other comprehensive income and is reclassified to profit or loss in the period the hedged item is recognised through profit or loss. Any ineffective portion of the hedge is recognised in the Consolidated Income Statement. When the hedged firm commitment or forecasted transaction occurs and results in the recognition of an asset or liability, the amounts previously recognised in the hedge reserve, within other comprehensive income are reclassified through profit or loss in the periods when the hedged item is impacting the Consolidated Income Statement.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred cost of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset, such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred cost of hedging that were reported in equity are immediately reclassified to profit or loss.

Cash flow hedge accounting is applied to foreign exchange forward contracts which are expected to offset the changes in fair value of expected future cash flows. In order to achieve and maintain cash flow hedge accounting, it is necessary for management to determine, at inception and on an ongoing basis, whether a forecast transaction is highly probable.

Fair value hedges
Where fixed to floating interest rate swaps are used, they are treated as fair value hedges when the qualifying conditions are met. Changes in the fair value of derivatives that are designated as fair value hedges are recognised directly in the Consolidated Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is derecognised when the hedging relationship ceases to exist. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised over the remaining maturity of the hedged item through the Consolidated Income Statement from that date.

Trading derivatives
Certain derivatives which comply with the Group's financial risk management policies are not accounted for using hedge accounting. This arises where the derivatives; (a) provide a hedge against foreign currency borrowings without having to apply hedge accounting; or (b) where management have decided not to apply hedge accounting. In these cases the instrument is reported independently at fair value with any changes recognised in the Consolidated Income Statement. In all other instances, cash flow or fair value hedge accounting is applied.

Critical accounting estimates and judgements

Preparation of the consolidated financial statements requires management to make certain estimations, assumptions and judgements that affect the reported profits, assets and liabilities.

Estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information or more experience. Such changes are recognised in the period in which the estimate is revised.

In particular, information about significant areas of estimation that have the most significant effect on the amounts recognised in the consolidated financial statements are described below and in the respective notes to the consolidated financial statements.

Impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired or whether a reversal of an impairment of intangible assets (other than on goodwill) should be recorded requires comparison of the value in use for the relevant groups of cash generating units (CGUs) to the net assets attributable to those CGUs. The value in use calculation is based on an estimate of future cash flows expected to arise from the CGUs and these are discounted to net present value using an appropriate discount rate. The tests are dependent on management's estimates, in particular in relation to the forecasting of future cash flows, the discount rates applied to those cash flows, the expected long term growth rate of the applicable businesses and terminal values. Such estimates are subject to change as a result of changing economic conditions. As forecasting future cash flows is dependent upon the Group successfully leveraging its base of intangible assets over the long term, estimates are required in relation to future cash flows which will support the asset value. These estimates may depend upon the outcome of future events and may need to be revised as circumstances change. Details of the assumptions used and key sources of estimation involved are outlined in note 12 to these consolidated financial statements.

Business combinations

When acquiring a business, the Group is required to bring acquired assets and liabilities on to the Consolidated Balance Sheet at their fair value, the determination of which requires a significant degree of estimation.

1. Statement of accounting policies (continued)

Critical accounting estimates and judgements (continued)

Business combinations (continued)

Acquisitions may also result in intangible benefits being brought into the Group, some of which qualify for recognition as intangible assets while other such benefits do not meet the recognition requirements of IFRS and therefore form part of goodwill. Estimation is required in the assessment and valuation of these intangible assets. For intangible assets acquired, the Group bases valuations on expected future cash flows. This method employs a discounted cash flow analysis using the present value of the estimated after-tax cash flows expected to be generated from the purchased intangible asset using risk adjusted discount rates, revenue forecasts and estimated customer attrition as appropriate. The period of expected cash flows is based on the expected useful life of the intangible asset acquired.

Depending on the nature of the assets and liabilities acquired, determined provisional fair values may be associated with uncertainty and possibly adjusted subsequently as allowed by IFRS 3 'Business Combinations'.

Business combinations are disclosed in note 30 to the consolidated financial statements.

Income tax charge and income/deferred tax assets and liabilities

Significant judgement and a high degree of estimation is required in determining the income tax charge as the Group operates in many jurisdictions and the tax treatment of many items is uncertain with tax legislation being open to different interpretation. Furthermore, the Group can also be subject to uncertainties, including tax audits in any of the jurisdictions in which it operates, which by their nature, are often complex and can require several years to conclude. The Group considers these uncertain tax positions in the recognition of its income tax/deferred tax assets or liabilities. In line with its accounting policy, the Group bases its assessment on the probability of a tax authority accepting its general treatment having regard to all information available on the tax matter and when it is not probable reflects the uncertainty in income tax/deferred tax assets or liabilities. When applying its accounting policy at the year end the Group generally considered each uncertain tax treatment separately and reflected the effect of the uncertainty in the income tax/deferred tax assets or liabilities using an expected value approach as this better predicts the resolution of the uncertainty. Such estimates are determined based on management judgement, interpretation of the relevant tax laws, correspondence with the relevant tax authorities and external tax advisors and past practices of the tax authorities. Where the final outcome of these tax matters is different from the amounts that were recorded, such differences will impact the income tax and deferred tax charge in the period in which such determination is made.

Income taxes and deferred tax assets and liabilities are disclosed in notes 7 and 17 to the consolidated financial statements, respectively.

Other areas

Other areas where accounting estimates and judgements are required, though the impact on the consolidated financial statements is not considered as significant as those mentioned above, are non-trading items (note 5), property, plant and equipment including right-of-use assets (note 11), intangible assets (note 12), financial asset investments (note 13), assets classified as held for sale (note 18), rebates included in trade and other receivables (note 19), financial instruments (notes 23 and 24), provisions (note 25) and retirement benefits obligation (note 26).

Leasing has been included above as this is the first year of adoption of IFRS 16. In determining the incremental borrowing rate for lease contracts/liabilities the Group, where possible, has utilised external benchmarked information and takes into consideration credit rating, applicable margin for lease by currency, interest rate for the lease term and applies a currency premium where applicable. The Group has applied judgement in determining the lease term of contracts that include renewal options. If the Group is reasonably certain of exercising such options this will impact the lease term and accordingly the amount of lease liabilities and right-of-use assets recognised. The Group reassesses these estimates and judgements if a significant event or a significant change in circumstances occurs.

1. Statement of accounting policies (continued)

New standards and interpretations

Certain new and revised accounting standards and new International Financial Reporting Interpretations Committee ('IFRIC') interpretations have been issued. The Group intends to adopt the relevant new and revised standards when they become effective and the Group's assessment of the impact of these standards and interpretations is set out below.

The following Standards and Interpretations are effective for the Group in 2019 but do not have a material effect on the results or financial position of the Group:		***Effective Date***
- IFRS 16	Leases IFRS 16, published in January 2016, replaces the existing standard IAS 17 'Leases'. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for lessees. It introduces a single lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months with certain exceptions and to recognise depreciation of lease assets separately from interest on lease liabilities in the income statement. The Group has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application of €12.1m and a deferred tax asset of €2.7m was recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. Right-of-use assets for property leases were measured on transition as if the new rules had always been applied, but discounted at the incremental borrowing rate at 1 January 2019. All other right-of-use assets were measured at the amount of the lease liability on adoption. As at 31 December 2018, the Group had non-cancellable operating lease commitments of €83.1m and finance lease commitments of €nil. Of these commitments, approximately €1.0m relate to short-term leases and €0.1m are low-value leases which will be recognised on a straight-line basis as an expense in the Consolidated Income Statement. The Group has recognised right-of-use assets of €95.2m and lease liabilities of €107.3m on 1 January 2019, the transition date. A reconciliation explaining the difference between the IAS 17 operating lease commitments at year end and the lease liability at the date of transition to IFRS 16 'Leases' has been included in note 11. The weighted average incremental borrowing rate applied to lease liabilities at the date of initial application was 6.7%. The Group has also elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component further increasing the lease liability at 1 January 2019. The Group has excluded initial direct costs incurred in entering into the leases recognised on transition on 1 January 2019, these costs are included for leases entered into since this date.	1 January 2019
- IAS 19 (Amendments)	Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
- IFRIC 23	Uncertainty over Income Tax Treatments IFRIC 23 'Uncertainty over Income Tax Treatments' was issued in June 2017 and clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group had previously accounted for uncertain tax positions in line with IFRIC 23 and therefore, there is no impact to the Group in 2019 in respect of IFRIC 23. The Group considers each uncertain tax treatment separately or together with one or more uncertain tax treatments based on which approach better predicts the resolution of the uncertainty. If the Group concludes that it is not probable that a taxation authority will accept an uncertain tax treatment, the Group reflects the effect of the uncertainty in determining the related taxable profit, tax bases, unused tax losses, unused tax credits or tax rate. The Group reflects the effect of uncertainty for each uncertain tax treatment using an expected value approach or a most likely approach depending on which method the Group expects to better predict the resolution of the uncertainty. The unit of account for recognition purposes is the income tax/deferred tax assets or liabilities and the Group does not provide separately for uncertain tax positions.	1 January 2019

1. Statement of accounting policies (continued)

New standards and interpretations (continued)

The following Standards and Interpretations are not yet effective for the Group and are not expected to have a material effect on the results or financial position of the Group:		***Effective Date***
- IFRS 3 (Amendments)	Business Combinations	1 January 2020
- IFRS 9, IAS 39 & IFRS 7 (Amendments)	Interest Rate Benchmark Reform	1 January 2020
- IAS 1 (Amendments)	Presentation of Financial Statements	1 January 2020
- IAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
- The Conceptual Framework	Revised Conceptual Framework for Financial Reporting	1 January 2020
- IFRS 17	Insurance Contracts IFRS 17 published in May 2017 will be effective for reporting periods beginning on or after 1 January 2021. The Group is currently assessing the potential impact of the standard on future periods however it is not expected that it will have a material impact.	1 January 2021

2. Analysis of results

The Group has determined it has two reportable segments: Taste & Nutrition and Consumer Foods. The Taste & Nutrition segment is the global leader in the development of taste and nutrition solutions for the food, beverage and pharmaceutical industries across Ireland, Europe, Americas and APMEA. Our broad technology foundation, customer-centric business model, and industry-leading integrated solutions capability make Kerry the co-creation partner of choice. The Consumer Foods segment is an industry-leading manufacturer of chilled food products primarily in Ireland and in the UK.

	Taste & Nutrition 2019 €'m	**Consumer Foods 2019 €'m**	**Group Eliminations and Unallocated 2019 €'m**	**Total 2019 €'m**	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Group Eliminations and Unallocated 2018 €'m	Total 2018 €'m
External revenue	**5,939.1**	**1,302.2**	**-**	**7,241.3**	5,272.4	1,335.2	-	6,607.6
Inter-segment revenue	**78.5**	**4.4**	**(82.9)**	**-**	78.2	3.8	(82.0)	-
Revenue	**6,017.6**	**1,306.6**	**(82.9)**	**7,241.3**	5,350.6	1,339.0	(82.0)	6,607.6
Trading profit	**918.5**	**98.9**	**(114.7)**	**902.7**	805.3	100.1	(99.8)	805.6
Intangible asset amortisation				**(64.3)**				(53.8)
Non-trading items				**(110.9)**				(66.9)
Operating profit				**727.5**				684.9
Finance income				**0.3**				0.5
Finance costs				**(81.9)**				(67.5)
Profit before taxation				**645.9**				617.9
Income taxes				**(79.4)**				(77.4)
Profit after taxation attributable to owners of the parent				**566.5**				540.5
Segment assets and liabilities								
Segment assets	**6,268.5**	**925.7**	**2,310.1**	**9,504.3**	5,492.1	938.1	1,893.5	8,323.7
Segment liabilities	**(1,565.7)**	**(311.8)**	**(3,064.6)**	**(4,942.1)**	(1,201.1)	(348.2)	(2,740.0)	(4,289.3)
Net assets	**4,702.8**	**613.9**	**(754.5)**	**4,562.2**	4,291.0	589.9	(846.5)	4,034.4
Other segmental information								
Property, plant and equipment additions	**247.2**	**32.7**	**0.7**	**280.6**	259.1	23.6	1.0	283.7
Depreciation (net)	**164.6**	**22.7**	**4.1**	**191.4**	115.0	18.5	0.6	134.1
Intangible asset additions	**1.3**	**2.0**	**51.9**	**55.2**	0.3	2.1	28.0	30.4
Intangible asset amortisation	**23.0**	**6.8**	**34.5**	**64.3**	17.1	6.6	30.1	53.8

2. Analysis of results (continued)

Revenue analysis

Disaggregation of revenue from external customers is analysed by End Use Market (EUM), which is the primary market in which Kerry's products are consumed, and primary geographic market. An EUM is defined as the market in which the end consumer or customer of Kerry's product operates. The economic factors within the EUMs of Food, Beverage and Pharma and within the primary geographic markets which affect the nature, amount, timing and uncertainty of revenue and cash flows are similar.

Analysis by EUM

	Taste & Nutrition 2019 €'m	**Consumer Foods 2019 €'m**	**Total 2019 €'m**	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Total 2018 €'m
Food	**4,161.5**	**1,302.2**	**5,463.7**	3,617.6	1,335.2	4,952.8
Beverage	**1,507.6**	**-**	**1,507.6**	1,390.8	-	1,390.8
Pharma	**270.0**	**-**	**270.0**	264.0	-	264.0
External revenue	**5,939.1**	**1,302.2**	**7,241.3**	5,272.4	1,335.2	6,607.6

Analysis by primary geographic market

Disaggregation of revenue from external customers is analysed by geographical split:

	Taste & Nutrition 2019 €'m	**Consumer Foods 2019 €'m**	**Total 2019 €'m**	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Total 2018 €'m
Republic of Ireland	**184.9**	**252.5**	**437.4**	186.1	270.8	456.9
Rest of Europe	**1,271.5**	**1,049.7**	**2,321.2**	1,235.7	1,064.4	2,300.1
Americas	**3,197.8**	**-**	**3,197.8**	2,745.3	-	2,745.3
APMEA*	**1,284.9**	**-**	**1,284.9**	1,105.3	-	1,105.3
External revenue	**5,939.1**	**1,302.2**	**7,241.3**	5,272.4	1,335.2	6,607.6

* Asia Pacific, Middle East and Africa

Information about geographical areas

	Europe 2019 €'m	**Americas 2019 €'m**	**APMEA* 2019 €'m**	**Total 2019 €'m**	Europe 2018 €'m	Americas 2018 €'m	APMEA* 2018 €'m	Total 2018 €'m
Segment assets by location	**4,858.4**	**3,502.3**	**1,143.6**	**9,504.3**	4,173.7	3,160.3	989.7	8,323.7
Property, plant and equipment additions	**87.9**	**114.7**	**78.0**	**280.6**	87.9	142.1	53.7	283.7
Intangible asset additions	**54.3**	**0.9**	**-**	**55.2**	30.1	0.3	-	30.4

* Asia Pacific, Middle East and Africa

Kerry Group plc is domiciled in the Republic of Ireland and the revenues from external customers in the Republic of Ireland were **€437.4m** (2018: €456.9m). The non-current assets located in the Republic of Ireland are **€930.3m** (2018: €1,000.3m).

Revenues from external customers include **€1,527.9m** (2018: €1,560.8m) in the UK and **€2,597.5m** (2018: €2,189.5m) in the USA. The non-current assets in the UK are **€737.2m** (2018: €668.9m) and in the USA are **€2,142.5m** (2018: €1,924.8m).

There are no material dependencies or concentrations on individual customers which would warrant disclosure under IFRS 8 'Operating Segments'. The accounting policies of the reportable segments are the same as the Group's accounting policies as outlined in the Statement of Accounting Policies. Under IFRS 15 'Revenue from Contracts with Customers' revenue is primarily recognised at a point in time. Revenue recorded over time during the year was not material to the Group.

3. Operating profit

(i) Analysis of costs by nature

	Notes	**Continuing Operations 2019 €'m**	Continuing Operations 2018 €'m
Revenue		**7,241.3**	6,607.6
Less operating costs:			
Raw materials and consumables		**3,897.7**	3,693.3
Other general overheads		**948.0**	808.7
Staff costs	4	**1,330.9**	1,185.3
Depreciation:			
- property, plant and equipment	11	**158.6**	136.4
- right-of-use assets	11	**35.2**	-
Capital grants amortisation	21	**(2.4)**	(2.3)
Loss allowances on trade receivables	19	**6.5**	8.5
Foreign exchange (gains)/losses		**(1.0)**	6.2
Change in inventories of finished goods		**(34.3)**	(34.4)
Share of associates and joint ventures (profit)/loss after tax during the financial year	14	**(0.6)**	0.3
Trading profit		**902.7**	805.6
Intangible asset amortisation	12	**64.3**	53.8
Non-trading items	5	**110.9**	66.9
Operating profit		**727.5**	684.9
And is stated after charging:			
Research and development costs		**291.4**	274.6

(ii) Auditors' remuneration

	PwC Ireland 2019 €'m	**PwC Other 2019 €'m**	**PwC Worldwide 2019 €'m**	PwC Ireland 2018 €'m	PwC Other 2018 €'m	PwC Worldwide 2018 €'m
Statutory disclosure:						
Group audit	**1.5**	**1.7**	**3.2**	1.1	1.6	2.7
Other assurance services	**0.1**	**-**	**0.1**	0.1	-	0.1
Total assurance services	**1.6**	**1.7**	**3.3**	1.2	1.6	2.8
Tax advisory services	**-**	**-**	**-**	-	0.1	0.1
Other non-audit services	**-**	**-**	**-**	-	-	-
Total non-audit services	**-**	**-**	**-**	-	0.1	0.1
Total auditors' remuneration	**1.6**	**1.7**	**3.3**	1.2	1.7	2.9
Assurance services			**100%**			97%
Non-audit services			**-**			3%
Total			**100%**			100%

Group audit consists of fees payable for the consolidated and statutory audits of the Group and its subsidiaries. Included in Group audit are total fees of **€4,720** (2018: €4,720) which are due to the Group's auditor in respect of the Parent Company. Reimbursement of auditors' expenses amounted to **€0.2m** (2018: €0.3m).

4. Total staff numbers and costs

The average number of people employed by the Group was:

	Taste & Nutrition 2019 Number	**Consumer Foods 2019 Number**	**Total 2019 Number**	Taste & Nutrition 2018 Number	Consumer Foods 2018 Number	Total 2018 Number
Europe	**5,312**	**6,557**	**11,869**	5,570	7,003	12,573
Americas	**9,349**	**-**	**9,349**	8,214	-	8,214
APMEA	**4,872**	**-**	**4,872**	4,468	-	4,468
	19,533	**6,557**	**26,090**	18,252	7,003	25,255

The aggregate payroll costs of employees (including Executive Directors) was:

	Taste & Nutrition 2019 €'m	**Consumer Foods 2019 €'m**	**Total 2019 €'m**	Taste & Nutrition 2018 €'m	Consumer Foods 2018 €'m	Total 2018 €'m
Europe	**347.0**	**243.2**	**590.2**	353.3	240.4	593.7
Americas	**576.7**	**-**	**576.7**	465.8	-	465.8
APMEA	**164.0**	**-**	**164.0**	125.8	-	125.8
	1,087.7	**243.2**	**1,330.9**	944.9	240.4	1,185.3

Social welfare costs of **€126.5m** (2018: €90.2m) and share-based payment expense of **€14.4m** (2018: €12.2m) are included in payroll costs. Pension costs included in the payroll costs are disclosed in note 26. Included in the above payroll costs disclosure is **€11.2m** (2018: €8.3m) which has been capitalised as part of computer software in intangible assets.

5. Non-trading items

	Notes	**Gross 2019 €'m**	**Tax 2019 €'m**	**Net 2019 €'m**	Net 2018 €'m
Taste & Nutrition acquisition related costs:					
- acquisition integration and restructuring costs	(i)	**(63.1)**	**14.9**	**(48.2)**	(34.1)
- other transaction costs	(i)	**(17.6)**	**-**	**(17.6)**	-
		(80.7)	**14.9**	**(65.8)**	(34.1)
Consumer Foods Realignment Programme	(ii)	**(26.7)**	**4.5**	**(22.2)**	(15.1)
Loss on disposal of businesses and assets	(iii)	**(3.5)**	**(0.2)**	**(3.7)**	(5.9)
2019 Non-trading items		**(110.9)**	**19.2**	**(91.7)**	(55.1)
2018 Non-trading items		(66.9)	11.8	(55.1)	

(i) Taste & Nutrition acquisition related costs
During the year, acquisition integration and restructuring costs of **€63.1m** (2018: €44.2m) primarily related to costs of integrating recent acquisitions into the Group's operations and transaction expenses incurred in completing current year acquisitions. These costs reflect the closure of factories, relocation of resources and the restructuring of operations in order to integrate the acquired businesses into the existing Kerry operating model. A tax credit of **€14.9m** (2018: €10.1m) arose due to tax deductions available on acquisition integration and restructuring costs.

Other transaction costs of **€17.6m** related to a material transaction process that the Group participated in. These costs primarily related to external costs associated with deal preparation, integration planning and due diligence. The associated tax credit is **€nil** (2018: €nil).

5. Non-trading items (continued)

(ii) Consumer Foods Realignment Programme

During 2019, the Consumer Foods business completed a programme to simplify its business model in terms of footprint and resources in response to the challenging marketplace. The charge relating to this in 2019 is **€26.7m**, which reflects redundancies, relocation of resources and the streamlining of operations. The associated tax credit is **€4.5m** (2018: €nil).

In 2018, Consumer Foods completed its Brexit Mitigation Programme whereby certain sourcing and production activities were relocated and other activities restructured as a consequence of Brexit in order to reduce the Group's sterling transaction exposure. The net charge relating to this in 2019 is **€nil** (2018: €15.1m) and the associated tax credit is **€nil** (2018: €2.2m).

(iii) Loss on disposal of businesses and assets

During the year, the Group disposed of property, plant and equipment primarily in the UK, US and Australia for a consideration of **€32.8m** resulting in a loss of **€3.5m** for the year ended 31 December 2019. In 2018, the Group disposed of property, plant and equipment primarily in Italy, Malaysia and the US for a consideration of €10.6m resulting in a loss of €1.0m. Also in 2018, the Group disposed of investments in associates for a combined consideration of €1.1m resulting in a loss of €4.4m. Please see note 29 for a reconciliation of the loss and cash impact on disposal of businesses and assets.

A tax charge of **€0.2m** (2018: €0.5m) arose on the disposal of assets and businesses.

There were no impairments of assets held for sale recorded in the financial year.

6. Finance income and costs

	Note	**2019 €'m**	2018 €'m
Finance income:			
Interest income on deposits		**0.3**	0.5
Finance costs:			
Interest payable		**(84.0)**	(66.3)
Interest rate derivative		**2.9**	0.2
		(81.1)	(66.1)
Net interest cost on retirement benefits obligation	26	**(0.8)**	(1.4)
Finance costs		**(81.9)**	(67.5)

7. Income taxes

	Notes	2019 €'m	2018 €'m
Recognition in the Consolidated Income Statement (before credit on non-trading items)			
Current tax expense in the financial year		**86.3**	64.3
Adjustments in respect of prior years		**(0.2)**	(2.7)
		86.1	61.6
Deferred tax in the financial year		**12.5**	27.6
Income tax expense (before credit on non-trading items)		**98.6**	89.2
(Credit) on non-trading items:			
Current tax		**(6.1)**	(2.8)
Deferred tax		**(13.1)**	(9.0)
	5	**(19.2)**	(11.8)
Recognition in the Consolidated Income Statement (after credit on non-trading items)			
Current tax expense in the financial year		**80.2**	61.5
Adjustments in respect of prior years		**(0.2)**	(2.7)
		80.0	58.8
Deferred tax in the financial year	17	**(0.6)**	18.6
Income tax expense (after credit on non-trading items)		**79.4**	77.4

The tax on the Group's profit before taxation differs from the amount that would arise applying the standard corporation tax rate in Ireland as follows:

	2019 €'m	2018 €'m
Profit before taxation	**645.9**	617.9
Taxed at Irish Standard Rate of Tax (12.5%)	**80.7**	77.2
Adjustments to current tax and deferred tax in respect of prior years	**(1.3)**	(1.1)
Net effect of differing tax rates	**3.6**	8.1
Changes in standard rates of taxes	**2.3**	(2.9)
Income not subject to tax	**(2.2)**	(1.3)
Utilisation of unprovided deferred tax assets	**(1.0)**	(1.4)
Other adjusting items	**(2.7)**	(1.2)
Income tax expense	**79.4**	77.4

An increase in the Group's applicable tax rate of 1% would reduce profit after taxation by **€6.4m** (2018: €6.2m). Factors that may affect the Group's future tax charge include the effects of restructuring, acquisitions and disposals, changes in tax legislation and rates and the use of brought forward losses.

8. Profit attributable to Kerry Group plc

In accordance with section 304(2) of the Companies Act, 2014, the Company is availing of the exemption from presenting its individual income statement to the Annual General Meeting and from filing it with the Registrar of Companies. The Company's profit after taxation for the financial year is **€140.3m** (2018: €158.9m).

9. Earnings per A ordinary share

	EPS cent	**2019 €'m**	EPS cent	2018 €'m
Basic earnings per share				
Profit after taxation attributable to owners of the parent	**320.4**	**566.5**	305.9	540.5
Diluted earnings per share				
Profit after taxation attributable to owners of the parent	**319.9**	**566.5**	305.7	540.5

Number of Shares	Note	**2019 m's**	2018 m's
Basic weighted average number of shares		**176.8**	176.7
Impact of share options outstanding		**0.3**	0.1
Diluted weighted average number of shares		**177.1**	176.8
Actual number of shares in issue as at 31 December	27	**176.5**	176.3

10. Dividends

	2019 €'m	2018 €'m
Group and Company:		
Amounts recognised as distributions to equity shareholders in the financial year		
Final 2018 dividend of **49.20 cent** per A ordinary share paid 10 May 2019		
(Final 2017 dividend of 43.90 cent per A ordinary share paid 18 May 2018)	**86.7**	77.4
Interim 2019 dividend of **23.50 cent** per A ordinary share paid 15 November 2019		
(Interim 2018 dividend of 21.00 cent per A ordinary share paid 16 November 2018)	**41.6**	37.0
	128.3	114.4

Since the financial year end the Board has proposed a final 2019 dividend of **55.10 cent** per A ordinary share which amounts to €97.3m. The payment date for the final dividend will be 15 May 2020 to shareholders registered on the record date as at 17 April 2020. The consolidated financial statements do not reflect this dividend.

11. Property, plant and equipment

	Notes	**2019 €'m**	2018 €'m
Group:			
Property, plant and equipment	(i)	**1,963.4**	1,767.0
Right-of-use assets*	(ii)	**99.5**	-
		2,062.9	1,767.0

* The Group have applied the modified retrospective transition approach and have not restated comparative amounts for the years prior to first adoption.

11. Property, plant and equipment (continued)

(i) Property, plant and equipment analysis

	Notes	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Construction in Progress €'m	Motor Vehicles €'m	Total €'m
Group:						
Cost						
At 1 January 2018		1,051.5	1,822.2	211.5	14.7	3,099.9
Businesses acquired		19.3	53.1	7.4	-	79.8
Additions		22.0	54.1	207.0	0.6	283.7
Transfer from construction in progress		53.7	89.7	(143.4)	-	-
Disposals		(8.1)	(38.6)	-	(0.5)	(47.2)
Transfer to held for sale		-	-	-	-	-
Exchange translation adjustment		12.0	19.2	3.5	(0.2)	34.5
At 31 December 2018		1,150.4	1,999.7	286.0	14.6	3,450.7
Businesses acquired	30	**63.9**	**50.0**	**0.7**	**0.1**	**114.7**
Additions		**25.6**	**69.2**	**142.1**	**1.8**	**238.7**
Transfer from construction in progress		**65.8**	**140.9**	**(206.7)**	**-**	**-**
Disposals	5	**(26.3)**	**(133.2)**	**-**	**(2.1)**	**(161.6)**
Transfer from held for sale	18	**5.9**	**0.3**	**-**	**-**	**6.2**
Exchange translation adjustment		**23.8**	**43.8**	**6.0**	**0.4**	**74.0**
At 31 December 2019		**1,309.1**	**2,170.7**	**228.1**	**14.8**	**3,722.7**
Accumulated depreciation and impairment						
At 1 January 2018		383.9	1,174.8	-	11.6	1,570.3
Charge during the financial year	3	31.2	104.3	-	0.9	136.4
Impairments	3	0.9	2.5	-	-	3.4
Disposals		(7.2)	(34.3)	-	(0.5)	(42.0)
Transfer to held for sale		-	-	-	-	-
Exchange translation adjustment		4.1	11.6	-	(0.1)	15.6
At 31 December 2018		412.9	1,258.9	-	11.9	1,683.7
Charge during the financial year	3	**36.7**	**120.8**	**-**	**1.1**	**158.6**
Impairments	3	**0.2**	**-**	**-**	**-**	**0.2**
Disposals	5	**(15.7)**	**(107.8)**	**-**	**(1.8)**	**(125.3)**
Transfer from held for sale	18	**3.9**	**0.3**	**-**	**-**	**4.2**
Exchange translation adjustment		**8.8**	**28.9**	**-**	**0.2**	**37.9**
At 31 December 2019		**446.8**	**1,301.1**	**-**	**11.4**	**1,759.3**
Carrying value						
At 31 December 2018		737.5	740.8	286.0	2.7	1,767.0
At 31 December 2019		**862.3**	**869.6**	**228.1**	**3.4**	**1,963.4**

Included in the impairments above is **€0.2m** (2018: €3.4m) charged to non-trading items.

11. Property, plant and equipment (continued)

(i) Property, plant and equipment analysis (continued)

	Land and Buildings Total €'m
Company:	
Cost	
At 1 January 2018	4.7
At 31 December 2018 and 2019	**4.7**
Accumulated depreciation	
At 1 January 2018	4.3
Charge during the financial year	0.1
At 31 December 2018	4.4
Charge during the financial year	**-**
At 31 December 2019	**4.4**
Carrying value	
At 31 December 2018	0.3
At 31 December 2019	**0.3**

(ii) Right-of-use assets analysis

	Note	Land and Buildings €'m	Plant, Machinery and Equipment €'m	Motor Vehicles €'m	Total €'m
Group:					
Cost					
At 31 December 2018		-	-	-	-
Adjustment on initial application of IFRS 16 'Leases' at 1 January 2019		**71.3**	**11.8**	**12.1**	**95.2**
Businesses acquired	30	**0.3**	**0.1**	**-**	**0.4**
Additions		**27.3**	**8.6**	**6.0**	**41.9**
Terminations		**(4.4)**	**(0.8)**	**(1.2)**	**(6.4)**
At 31 December 2019		**94.5**	**19.7**	**16.9**	**131.1**
Accumulated depreciation					
At 31 December 2018		-	-	-	-
Charge during the financial year		**23.2**	**5.6**	**6.4**	**35.2**
Terminations		**(2.0)**	**(0.8)**	**(0.8)**	**(3.6)**
At 31 December 2019		**21.2**	**4.8**	**5.6**	**31.6**
Carrying value					
At 1 January 2019		71.3	11.8	12.1	95.2
At 31 December 2019		**73.3**	**14.9**	**11.3**	**99.5**

11. Property, plant and equipment (continued)

(ii) Right-of-use assets analysis (continued)

The right-of-use assets consist of:
- land and buildings for warehouse space, offices and manufacturing facilities. The lease terms vary and range from 1 to 94 years with an average of 8 years for buildings and an average of 55 years for land;
- machinery, equipment, tools, furniture and other equipment when combined are insignificant to the total leased assets portfolio and have an average lease term of 4 to 5 years; and
- motor vehicles for management and sales functions and trucks for distribution in specific businesses. The lease terms for motor vehicles range from 1 to 8 years with an average of 4 years.

At 1 January 2019, on transition to IFRS 16, the Group recognised right-of-use assets of **€95.2m** and lease liabilities of **€107.3m**. The Group recorded the difference of **€12.1m** and the related deferred tax asset of **€2.7m** in retained earnings.

(iii) Lease Disclosures

(iii.i) Amounts recognised in the Consolidated Income Statement:	**2019 €'m**
Depreciation charged during the financial year	**35.2**
Expenses relating to short-term leases	**1.9**
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	**0.2**
Interest on lease liabilities*:	
- on transition to IFRS 16	**4.6**
- leases entered into during the financial year	**1.7**

* included in interest payable

(iii.ii) Amounts recognised in the Consolidated Statement of Cash Flows:	**2019 €'m**
Total cash outflow for leases during the year*	**43.9**

* includes interest expense and principal repayments of lease liabilities and short-term and low-value lease expenses

(iii.iii) At the balance sheet date the Group had commitments under non-cancellable leases which fall due as follows:	**2019 €'m**
Within 1 year	**34.9**
Within 2 to 5 years	**57.2**
After 5 years	**17.3**
	109.4

(iv) Reconciliation of IAS 17 lease commitments and IFRS 16 lease liability

	2019 €'m
Future minimum lease payments under non-cancellable operating leases as at 31 December 2018	83.1
- additional leases identified for acquisitions as part of the measurement period	6.2
- future lease payments on renewal options that are reasonably certain	26.7
- non-lease components	14.3
- future lease payments on short-term leases	(1.0)
- future lease payments on low-value leases	(0.1)
Total future lease payments	129.2
Effect of discounting	(21.9)
Lease liability at 1 January 2019	**107.3**

12. Intangible assets

	Notes	Goodwill €'m	Brand Related Intangibles €'m	Computer Software €'m	Total €'m
Cost					
At 1 January 2018		2,229.3	1,552.9	234.6	4,016.8
Businesses acquired		133.7	314.5	-	448.2
Additions		-	-	30.4	30.4
Purchase adjustment		5.8	-	-	5.8
Disposals		-	-	(3.8)	(3.8)
Exchange translation adjustment		8.6	12.7	0.4	21.7
At 31 December 2018		2,377.4	1,880.1	261.6	4,519.1
Businesses acquired	30	**200.7**	**237.0**	**-**	**437.7**
Additions		**-**	**-**	**55.2**	**55.2**
Purchase adjustment		**5.1**	**5.4**	**-**	**10.5**
Disposals		**-**	**-**	**(0.5)**	**(0.5)**
Exchange translation adjustment		**41.0**	**21.2**	**0.7**	**62.9**
At 31 December 2019		**2,624.2**	**2,143.7**	**317.0**	**5,084.9**
Accumulated amortisation and impairment					
At 1 January 2018		18.5	204.3	147.3	370.1
Charge during the financial year	3	-	28.8	25.0	53.8
Disposals		-	-	(3.8)	(3.8)
Exchange translation adjustment		0.2	2.8	0.4	3.4
At 31 December 2018		18.7	235.9	168.9	423.5
Charge during the financial year	3	**-**	**37.8**	**26.5**	**64.3**
Disposals		**-**	**-**	**(0.5)**	**(0.5)**
Exchange translation adjustment		**1.9**	**5.5**	**0.5**	**7.9**
At 31 December 2019		**20.6**	**279.2**	**195.4**	**495.2**
Carrying value					
At 31 December 2018		2,358.7	1,644.2	92.7	4,095.6
At 31 December 2019		**2,603.6**	**1,864.5**	**121.6**	**4,589.7**

Allocation of the purchase price in a business combination affects the results of the Group as finite life intangible assets are amortised, whereas indefinite life intangible assets, including goodwill, are not amortised. This could result in differing amortisation charges based on the allocation to finite life and indefinite life intangible assets.

Included in the cost of brand related intangibles are intangibles of **€1,307.2m** (2018: €1,175.9m) which have indefinite lives.

Approximately **€16.5m** (2018: €11.4m) of computer software additions during the year were internally generated. Included in this are payroll costs of **€11.2m** (2018: €8.3m). The Group has not capitalised product development expenditure in 2019 (2018: €nil).

The Group has no separate individual intangible asset that is material, as all intangibles acquired are integrated and developed within the existing business.

12. Intangible assets (continued)

Impairment testing

Goodwill and indefinite life intangibles are subject to impairment testing on an annual basis, or more frequently if there are indicators of impairment. These assets are allocated to groups of cash generating units (CGUs). The recoverable amount of each of the four CGUs is determined on value in use calculations. Intangible assets acquired in a business combination are allocated to CGUs that are expected to benefit from the business acquisition, rather than where the assets are owned.

Cash flow forecasts employed for the value in use calculations are for a five year period approved by management and a terminal value which is applied to the year five cash flows. The terminal value reflects the discounted value of the cash flows beyond year five which is based on the weighted average long term growth rates for each CGU.

No impairment was recognised in 2019 or 2018 as a result of the impairment testing which identified significant headroom in the recoverable amount of the related CGUs as compared to their carrying value. In 2019, there was no specific impairment charge (2018: €nil) in relation to goodwill recorded in non-trading items in the Consolidated Income Statement due to the classification of a business as held for sale.

A summary of the allocation of the carrying value of goodwill and indefinite life intangible assets by CGU, is as follows:

	Goodwill 2019 €'m	Goodwill 2018 €'m	**Indefinite Life Intangibles 2019 €'m**	Indefinite Life Intangibles 2018 €'m
Taste & Nutrition				
Europe	**507.4**	497.1	**102.3**	104.0
Americas	**1,492.1**	1,286.1	**1,106.0**	974.3
APMEA	**182.7**	171.2	**51.6**	51.6
Consumer Foods				
Europe	**421.4**	404.3	**47.3**	46.0
	2,603.6	2,358.7	**1,307.2**	1,175.9

Key assumptions

Forecasts are generally derived from a combination of internal and external factors based on historical experience and take account of expected growth in the relevant region. The key assumptions for calculating value in use calculations are those relating to the discount rate, growth rate and cash flows. The table below outlines the weighted average discount rates and weighted average long term growth rates used in the terminal value for each CGU:

	Discount Rates 2019	Discount Rates 2018	**Growth Rates 2019**	Growth Rates 2018
Taste & Nutrition				
Europe	**6.5%**	6.8%	**1.9%**	1.9%
Americas	**6.9%**	6.8%	**2.4%**	2.4%
APMEA	**8.8%**	9.7%	**4.9%**	4.9%
Consumer Foods				
Europe	**6.4%**	6.7%	**1.9%**	1.9%

Management estimate discount rates using pre-tax rates consistent with the Group's weighted average cost of capital and the risks specific to the CGUs. A higher discount rate is applied to higher risk markets, while a lower rate is applied to more stable markets.

Long term growth rates are based on external market data and are broadly in line with long term industry growth rates. Generally, lower growth rates are used in mature markets while higher growth rates are used in emerging markets.

The assumptions used by management in estimating cash flows for each CGU include future profitability, capital expenditure requirements and working capital investment. The cash flows included in the value in use calculations are generally determined based on historical performance, management's past experience, management's expectation of future trends affecting the industry and other developments and initiatives in the business. Capital expenditure requirements to maintain the CGUs performance and profitability are based on the Group's strategic plans and broadly assume that historic investment patterns will be maintained. Working capital requirements are forecast to move in line with activity.

12. Intangible assets (continued)

Impairment testing (continued)

Sensitivity analysis

Sensitivity analysis has been performed across the four CGUs. If the discount rate was 1% higher than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2019 or 2018. Further, a 5% increase would not have resulted in an impairment charge in 2019 or 2018 as there is headroom in the discounted cash flows. If the estimated growth rate was 1% lower than management's estimates, there would have been no requirement for the Group to recognise any impairment charge in 2019 or 2018. If the estimated cash flows were 5% lower than management's estimates, again there would have been no requirement for the Group to recognise any impairment charge in 2019 or 2018. Management believes that no reasonable change, in normal circumstances, in any of the above key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

13. Financial asset investments

	FVOCI Investments €'m	Other Investments €'m	Total €'m
At 1 January 2018	7.2	37.4	44.6
Additions	-	4.1	4.1
Disposals	-	(12.7)	(12.7)
Fair value movements	(1.9)	(0.6)	(2.5)
Exchange translation adjustment	-	1.8	1.8
At 31 December 2018	5.3	30.0	35.3
Additions	**-**	**3.0**	**3.0**
Disposals	**-**	**(1.5)**	**(1.5)**
Fair value movements	**(1.0)**	**5.4**	**4.4**
Exchange translation adjustment	**-**	**0.5**	**0.5**
At 31 December 2019	**4.3**	**37.4**	**41.7**

Investments held at fair value through other comprehensive income

These represent investments in equity securities. These investments have no fixed maturity or coupon rate. A fair value assessment was performed in 2019 which resulted in a decrease to the carrying value of these assets of **€1.0m** (2018: €1.9m) through other comprehensive income.

Other investments

The Group maintains a Rabbi Trust in respect of a non-qualified deferred compensation plan in the USA. The assets of the trust primarily consist of equities, bonds and cash which are restricted for use. The equities and bonds are fair valued through profit or loss at each financial year end using quoted market prices. The corresponding liability is recognised within other non-current liabilities (note 22).

14. Investments in associates and joint ventures

	Notes	2019 €'m	2018 €'m
At 1 January		15.6	5.8
Acquisition		-	15.6
Disposal	5	-	(5.5)
Share of profit/(loss) after tax during the financial year	3	**0.6**	(0.3)
At 31 December		**16.2**	15.6

In 2018, the Group entered into a joint venture through the purchase of a 55% shareholding in Proparent B.V. for a total consideration of €15.6m. Proparent B.V. owns Ojah B.V., an alternative protein and extrusion business based in The Netherlands. The Group has a call option to acquire the remaining 45% interest under an agreed valuation methodology in 2022. The Group is satisfied that the fair value attached to this call option is nominal.

During 2018, the Group disposed of its 42.8% shareholding in The Bodychef Limited and its 28.6% shareholding in Everdine Holding S.a.r.l. from the investment in associates line in the Consolidated Balance Sheet for a combined consideration of €1.1m resulting in a loss of €4.4m.

15. Investments in subsidiaries

	2019 €'m	2018 €'m
Company:		
At 1 January	714.4	637.7
Additions	-	76.7
At 31 December	**714.4**	714.4

In 2018, the Company increased its investment in Kerry Holding Co. in the US in order to fund acquisitions.

16. Inventories

	2019 €'m	2018 €'m
Raw materials and consumables	**441.8**	367.1
Finished goods and goods for resale	**515.2**	480.9
Expense inventories	**36.3**	29.8
At 31 December	**993.3**	877.8

Write-downs of inventories recognised as an expense approximates to **1.2%** (2018: 0.9%) of raw materials and consumables in the Consolidated Income Statement.

17. Deferred tax assets and liabilities

The following is an analysis of the movement in the major categories of deferred tax liabilities/(assets) recognised by the Group:

	Note	Property, Plant and Equipment €'m	Intangible Assets €'m	Tax Credits and NOLs €'m	Retirement Benefits Obligation €'m	Short Term Temporary Differences and Other Differences €'m	Total €'m
At 1 January 2018		67.8	205.3	(21.2)	(22.4)	(34.0)	195.5
Consolidated Income Statement movement	7	8.5	2.5	(1.0)	7.3	1.3	18.6
Recognised in other comprehensive income (OCI) during the financial year		-	-	-	6.3	0.2	6.5
Related to businesses acquired/(disposed)		3.9	59.5	-	-	0.7	64.1
Exchange translation adjustment		2.1	1.6	0.7	(0.4)	(1.7)	2.3
At 31 December 2018		82.3	268.9	(21.5)	(9.2)	(33.5)	287.0
Adjustment on initial application of IFRS 16 'Leases'		**(2.7)**	**-**	**-**	**-**	**-**	**(2.7)**
Adjusted balances at 1 January 2019		**79.6**	**268.9**	**(21.5)**	**(9.2)**	**(33.5)**	**284.3**
Consolidated Income Statement movement	7	**(4.2)**	**2.1**	**2.5**	**3.8**	**(4.8)**	**(0.6)**
Recognised in OCI during the financial year - pension & hedging		**-**	**-**	**-**	**2.0**	**1.4**	**3.4**
Related to businesses acquired/(disposed)		**3.1**	**7.1**	**(0.7)**	**-**	**(1.1)**	**8.4**
Exchange translation adjustment		**2.1**	**3.5**	**(0.3)**	**0.1**	**(0.9)**	**4.5**
At 31 December 2019		**80.6**	**281.6**	**(20.0)**	**(3.3)**	**(38.9)**	**300.0**

The short term temporary differences and other temporary differences recognised in other comprehensive income comprise fair value movements on cash flow hedges of **€1.4m** (2018: €0.2m). In the above table, NOLs refers to Net Operating Losses.

The following is an analysis of the deferred tax balances (after offset) for balance sheet purposes:

	2019 €'m	2018 €'m
Deferred tax assets	**(38.9)**	(37.1)
Deferred tax liabilities	**338.9**	324.1
	300.0	287.0

The total deductible temporary differences for which deferred tax assets have not been recognised is **€27.4m** (2018: €22.9m). The Group does not have any unrecognised losses which have an expiry date.

Deferred tax has not been recognised in respect of withholding taxes and other taxes that would be payable on the unremitted earnings of foreign subsidiaries, as the Group is in a position to control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The deferred tax liabilities which have not been recognised in respect of these temporary differences are not material as the Group can rely on the availability of participation exemptions and tax credits in the context of the Group's investments in subsidiaries.

An increase of 1% in the tax rates at which deferred tax is calculated would increase the net deferred tax balance of the Group by **€14.5m** (2018: €13.3m).

18. Assets classified as held for sale

	2019 €'m	2018 €'m
Property, plant and equipment	**-**	2.0
	-	2.0

In 2019, the Group reclassified certain property, plant and equipment from held for sale to property, plant and equipment in the Taste & Nutrition segment in Europe.

19. Trade and other receivables

	Group 2019 €'m	Group 2018 €'m	**Company 2019 €'m**	Company 2018 €'m
Trade receivables	**1,002.4**	906.4	**-**	-
Loss allowances	**(35.7)**	(31.5)	**-**	-
Trade receivables due within 1 year	**966.7**	874.9	**-**	-
Other receivables and prepayments	**56.8**	53.6	**-**	-
Amounts due from subsidiaries	**-**	-	**135.8**	94.1
VAT receivable	**40.4**	38.9	**-**	-
Receivables due after 1 year	**2.4**	0.4	**-**	-
	1,066.3	967.8	**135.8**	94.1

All receivable balances are due within 1 year except for **€2.4m** (2018: €0.4m) outlined above. All receivable balances are within terms with the exception of certain trade receivables which are past due and are detailed below.

The following table shows an analysis of trade receivables split between past due and within terms accounts, where past due is deemed to be when an account exceeds the agreed terms of trade:

	Note	**2019 €'m**	2018 €'m
Within terms		**823.9**	734.0
Past due not more than 1 month		**100.4**	108.2
Past due more than 1 month but less than 2 months		**31.1**	24.7
Past due more than 2 months but less than 3 months		**9.2**	6.3
Past due more than 3 months		**2.1**	1.7
Trade receivables (net)		**966.7**	874.9

The following table summarises the movement in loss allowances:

		2019 €'m	2018 €'m
At beginning of financial year		31.5	29.0
Increase in loss allowance charged to the Consolidated Income Statement	3	**6.5**	8.5
Utilised during the financial year		**(3.1)**	(5.7)
Exchange translation adjustment		**0.8**	(0.3)
At end of the financial year		**35.7**	31.5

Trade and other receivables are stated at amortised cost less loss allowances. The fair value of these receivables approximates their carrying value as these are short term in nature; hence, the maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales and the corresponding historical credit loss experience. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors, including the GDP of the countries in which it sells its goods and services, that affect the ability of customers to settle receivables.

Before accepting any new customer, the Group uses a credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. These credit limits are reviewed regularly throughout the financial year. The Group does not typically require collateral in respect of trade receivables.

There is no significant concentration of credit risk or transaction currency risk with respect to trade receivables, as the Group has a large number of internationally dispersed customers. Further disclosures on currency risk are provided in note 24 to the financial statements.

20. Trade and other payables

	Group 2019 €'m	Group 2018 €'m	Company 2019 €'m	Company 2018 €'m
Trade payables	**1,376.9**	1,285.9	**15.7**	-
Other payables and accruals	**202.0**	177.6	**-**	0.5
Lease liabilities	**34.9**	-	**-**	-
Deferred payments on acquisition of businesses	**13.0**	10.1	**5.8**	5.8
PAYE	**9.1**	2.9	**-**	-
Social security costs	**7.1**	5.6	**-**	-
	1,643.0	1,482.1	**21.5**	6.3

Trade and other payables are stated at amortised cost, which approximates to fair value given the short term nature of these liabilities. The above balances are all due within 1 year.

21. Deferred income

	Note	Group 2019 €'m	Group 2018 €'m	Company 2019 €'m	Company 2018 €'m
Capital grants					
At beginning of the financial year		22.4	24.1	0.1	0.1
Grants received during the financial year		**3.2**	0.6	**-**	-
Amortised during the financial year	3	**(2.4)**	(2.3)	**-**	-
Disposal		**(0.2)**	(0.1)	**-**	-
Exchange translation adjustment		**0.1**	0.1	**-**	-
At end of the financial year		**23.1**	22.4	**0.1**	0.1
Analysed as:					
Current liabilities		**2.2**	1.2	**-**	-
Non-current liabilities		**20.9**	21.2	**0.1**	0.1
		23.1	22.4	**0.1**	0.1

There are no material unfulfilled conditions or other contingencies attaching to any government grants received.

22. Other non-current liabilities

	Group 2019 €'m	Group 2018 €'m	Company 2019 €'m	Company 2018 €'m
Other payables and accruals	**84.7**	82.6	**-**	-
Lease liabilities	**74.5**	-	**-**	-
Deferred payments on acquisition of businesses	**8.7**	-	**-**	-
	167.9	82.6	**-**	-

All of the above balances are due within 2 to 5 years except for **€17.3m** (2018: €0.2m) which is not due until after 5 years.

23. Analysis of financial instruments by category

The following table outlines the financial assets and liabilities held by the Group at the balance sheet date:

	Notes	Financial Assets/ (Liabilities) at Amortised Cost 2019 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2019 €'m	Derivatives Designated as Hedging Instruments 2019 €'m	Assets/ (Liabilities) at FVOCI 2019 €'m	Total 2019 €'m
Group:						
Financial asset investments	13	-	**37.4**	-	**4.3**	**41.7**
Forward foreign exchange contracts	24 (i.i)	-	-	**12.0**	-	**12.0**
Interest rate swaps	24 (ii.ii)	-	-	**128.4**	-	**128.4**
Trade and other receivables	19	**1,066.3**	-	-	-	**1,066.3**
Cash at bank and in hand	24 (iii.i)	**554.9**	-	-	-	**554.9**
Total financial assets		**1,621.2**	**37.4**	**140.4**	**4.3**	**1,803.3**
Current assets		**1,621.2**	-	**57.7**	-	**1,678.9**
Non-current assets		-	**37.4**	**82.7**	**4.3**	**124.4**
		1,621.2	**37.4**	**140.4**	**4.3**	**1,803.3**
Borrowings and overdrafts	24 (iii.i)	**(2,521.2)**	**(24.9)**	-	-	**(2,546.1)**
Forward foreign exchange contracts	24 (i.i)	-	-	**(12.1)**	-	**(12.1)**
Interest rate swaps	24 (ii.ii)	-	-	-	-	-
Trade and other payables	20/22	**(1,810.9)**	-	-	-	**(1,810.9)**
Total financial liabilities		**(4,332.1)**	**(24.9)**	**(12.1)**	-	**(4,369.1)**
Current liabilities		**(1,833.5)**	**(0.3)**	**(12.1)**	-	**(1,845.9)**
Non-current liabilities		**(2,498.6)**	**(24.6)**	-	-	**(2,523.2)**
		(4,332.1)	**(24.9)**	**(12.1)**	-	**(4,369.1)**
Total net financial (liabilities)/assets		**(2,710.9)**	**12.5**	**128.3**	**4.3**	**(2,565.8)**

Included in the above table are the following components of net debt:

Analysis of total net debt by category						
Bank overdrafts		**(5.2)**	-	-	-	**(5.2)**
Bank loans		**(1.2)**	-	-	-	**(1.2)**
Senior notes		**(2,514.8)**	**(24.9)**	-	-	**(2,539.7)**
Borrowings and overdrafts		**(2,521.2)**	**(24.9)**	-	-	**(2,546.1)**
Interest rate swaps		-	-	**128.4**	-	**128.4**
Cash at bank and in hand		**554.9**	-	-	-	**554.9**
Total net debt		**(1,966.3)**	**(24.9)**	**128.4**	-	**(1,862.8)**

All Group borrowings are guaranteed by Kerry Group plc. No assets of the Group have been pledged to secure the borrowings.

Part of the Group's debt portfolio includes US$750m of senior notes issued in 2013 and US$408m of senior notes issued in 2010. At the time of issuance, US$250m of the 2013 senior notes and US$500m of the 2010 US$600m senior notes were swapped, using cross currency swaps, to euro. US$192m of the 2010 senior notes were repaid in January 2017 and the related swaps matured at that date. In addition, the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, to US dollar. No interest rate derivatives were entered into for the September 2019 €750m senior notes issuance.

The adjustment to senior notes classified under liabilities at fair value through profit or loss of **€24.9m** (2018: €13.2m) represents the part adjustment to the carrying value of debt from applying fair value hedge accounting for interest rate risk. This amount is primarily offset by the fair value adjustment on the corresponding hedge items being the underlying cross currency interest rate swaps.

23. Analysis of financial instruments by category (continued)

	Notes	Financial Assets/ (Liabilities) at Amortised Cost 2018 €'m	Assets/ (Liabilities) at Fair Value through Profit or Loss 2018 €'m	Derivatives Designated as Hedging Instruments 2018 €'m	Assets/ (Liabilities) at FVOCI 2018 €'m	Total 2018 €'m
Group:						
Financial asset investments	13	-	30.0	-	5.3	35.3
Forward foreign exchange contracts	24 (i.i)	-	-	10.0	-	10.0
Interest rate swaps	24 (ii.ii)	-	-	101.7	-	101.7
Trade and other receivables	19	967.8	-	-	-	967.8
Cash at bank and in hand	24 (iii.i)	413.8	-	-	-	413.8
Total financial assets		1,381.6	30.0	111.7	5.3	1,528.6
Current assets		1,381.6	-	10.0	-	1,391.6
Non-current assets		-	30.0	101.7	5.3	137.0
		1,381.6	30.0	111.7	5.3	1,528.6
Borrowings and overdrafts	24 (iii.i)	(2,120.3)	(13.2)	-	-	(2,133.5)
Forward foreign exchange contracts	24 (i.i)	-	-	(11.1)	-	(11.1)
Interest rate swaps	24 (ii.ii)	-	-	(5.5)	-	(5.5)
Trade and other payables	20/22	(1,564.7)	-	-	-	(1,564.7)
Total financial liabilities		(3,685.0)	(13.2)	(16.6)	-	(3,714.8)
Current liabilities		(1,495.9)	-	(11.0)	-	(1,506.9)
Non-current liabilities		(2,189.1)	(13.2)	(5.6)	-	(2,207.9)
		(3,685.0)	(13.2)	(16.6)	-	(3,714.8)
Total net financial (liabilities)/assets		(2,303.4)	16.8	95.1	5.3	(2,186.2)

Included in the above table are the following components of net debt:

Analysis of total net debt by category					
Bank overdrafts	(9.9)	-	-	-	(9.9)
Bank loans	(355.4)	-	-	-	(355.4)
Senior notes	(1,755.0)	(13.2)	-	-	(1,768.2)
Borrowings and overdrafts	(2,120.3)	(13.2)	-	-	(2,133.5)
Interest rate swaps	-	-	96.2	-	96.2
Cash at bank and in hand	413.8	-	-	-	413.8
Total net debt	(1,706.5)	(13.2)	96.2	-	(1,623.5)

23. Analysis of financial instruments by category (continued)

The following table outlines the financial assets and liabilities held by the Company at the balance sheet date:

	Notes	2019 €'m	2018 €'m
Company:			
Financial assets at amortised cost			
Cash at bank and in hand		**-**	-
Trade and other receivables	19	**135.8**	94.1
Total financial assets - all current		**135.8**	94.1
Financial liabilities at amortised cost			
Borrowings and overdrafts		**-**	-
Trade and other payables	20	**(21.5)**	(6.3)
Total financial liabilities - all current		**(21.5)**	(6.3)
Total net financial assets		**114.3**	87.8

24. Financial instruments

Capital management

The financing structure of the Group is managed in order to optimise shareholder value while allowing the Group to take advantage of opportunities that might arise to grow the business. The Group targets acquisition and investment opportunities that are value enhancing and the Group's policy is to fund these transactions from cash flow or borrowings while maintaining its investment grade debt status.

The capital structure of the Group consists of debt related financial liabilities, cash and cash equivalents, deferred payments on acquisitions of businesses and equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity, as represented in the table below:

	Notes	2019 €'m	2018 €'m
Issued capital and reserves attributable to owners of the parent		**4,562.2**	4,034.4
Total net debt	23	**1,862.8**	1,623.5
Deferred payments on acquisition of businesses	20/22	**21.7**	10.1
		6,446.7	5,668.0

In June 2019, the Group completed a five year €1.1bn revolving credit facility which matures in June 2024 and replaced the existing facility that was due to mature in April 2022. The facility contains two extension options exercisable on the 1st and 2nd anniversaries of the facility and which, if exercised, will extend the maturity date of the facility to June 2026. In keeping with the Group's commitment to ESG, the facility incorporates a price adjustment mechanism which is linked to the Group meeting or exceeding its carbon, water and waste efficiency metrics.

In September 2019, the Group issued €750m senior notes carrying an annual coupon of 0.625%. These notes are rated by S&P and Moody's and are listed on Euronext Dublin. The proceeds of the issuance were used primarily to repay existing debt and for general corporate purposes.

The senior notes issued by the Group in 2013, 2015 and 2019 are rated by S&P and Moody's.

Capital is managed by setting net debt to earnings before finance income and costs, income taxes, depreciation (net), intangible asset amortisation and non-trading items (EBITDA) targets while allowing flexibility to accommodate significant acquisition opportunities. Any expected variation from these targets should be reversible within 18 to 24 months; otherwise consideration would be given to issuing additional equity in the Group.

24. Financial instruments (continued)

Capital management (continued)

Net debt is subject to seasonal fluctuations that can be up to 25% above year end debt levels.

The senior notes of $408m issued in 2010 remain outstanding and this series of notes carry financial covenants calculated in accordance with the Note Purchase Agreement. The principal financial covenants are:
- the ratio of Net debt to EBITDA of a maximum of 3.5 times; and
- EBITDA to Net interest charge of a minimum of 4.75 times.

At 31 December these ratios were as follows:

	2019 Times	2018 Times
Net debt: EBITDA*	**1.8**	1.7
EBITDA: Net interest*	**13.2**	14.7

* Calculated in accordance with lenders' facility agreements which take account of adjustments as outlined on page 218.

No other financial arrangements carry financial covenants.

Financial risk management objectives

The Group has a clearly defined Financial Risk Management Programme, which is approved by the Board of Directors and is subject to regular monitoring by the Finance Committee and Group Internal Audit. The Group operates a centralised treasury function, which manages the principal financial risks of the Group and Company.

The principal objectives of the Group's Financial Risk Management Programme are:
- to manage the Group's exposure to foreign exchange rate risk;
- to manage the Group's exposure to interest rate risk;
- to ensure that the Group has sufficient credit facilities available to manage liquidity risk; and
- to ensure that counterparty credit risk is monitored and managed.

Residual exposures not managed commercially are hedged using approved financial instruments. The use of financial derivatives is governed by the Group's policies and procedures. The Group does not engage in speculative trading.

The principal objectives of the Group's Financial Risk Management Programme are further discussed across the following categories:
(i) Foreign exchange rate risk management - key foreign exchange exposure of the Group and the disclosures on forward foreign exchange contracts.
(ii) Interest rate risk management - key interest rate exposures of the Group and the disclosures on interest rate derivatives.
(iii) Liquidity risk management - key banking facilities available to the Group and the maturity profile of the Group's debt.
(iv) Credit risk management - details in relation to the management of credit risk within the Group.
(v) Price risk management - key price risk exposures of the Group.
(vi) Fair value of financial instruments - disclosures in relation to the fair value of financial instruments.
(vii) Offsetting financial instruments - disclosures in relation to the potential offsetting values in financial instruments.

(i) Foreign exchange rate risk management

The Group is exposed to transactional foreign currency risk on trading activities conducted by subsidiaries in currencies other than their functional currency. Group policy is to manage foreign currency exposures commercially and through netting of exposures wherever possible. Any residual exposures arising on foreign exchange transactions are hedged in accordance with Group policy using approved financial instruments, which consist primarily of spot and forward exchange contracts and currency swaps.

As at 31 December, the Group had an exposure to a USA dollar liability of **€26.4m** (2018: €12.3m) and a sterling asset of **€11.7m** (2018: €4.8m). Based on these net positions, as at 31 December 2019, a weakening of 5% of the US dollar and sterling against all other key operational currencies, and holding all other items constant, would have increased the profit after taxation of the Group for the financial year by €0.7m (2018: €0.4m).

The Group's gain or loss on the retranslation of the net assets of foreign currency subsidiaries is taken directly to the translation reserve. As at 31 December 2019 a 5% strengthening of the euro against the US dollar and sterling, holding all other items constant, would have resulted in an additional translation reserve loss of **€21.7m** (2018: €21.5m) and **€23.0m** (2018: €21.7m), respectively.

(i.i) Forward foreign exchange contracts

The Group's activities expose it to risks of changes in foreign currency exchange rates in relation to international trading, primarily sales in US dollar and sterling out of the Eurozone and sales and purchases in US dollar in APMEA. The Group uses forward foreign exchange contracts to hedge these exposures. All such exposures are highly probable. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts (continued)

The following table details the portfolio of forward foreign exchange contracts* at the balance sheet date:

	Note	**2019 €'m Asset**	**2019 €'m Liability**	**2019 €'m Total**	2018 €'m Asset	2018 €'m Liability	2018 €'m Total
Designated in a hedging relationship:							
Forward foreign exchange contracts - cash flow hedges	(a)	**12.0**	**(12.1)**	**(0.1)**	10.0	(11.1)	(1.1)
- current [1]		**12.0**	**(12.1)**	**(0.1)**	10.0	(11.0)	(1.0)
- non-current [2]		**-**	**-**	**-**	-	(0.1)	(0.1)
Forward foreign exchange contracts		**12.0**	**(12.1)**	**(0.1)**	10.0	(11.1)	(1.1)

* Location of line item in the Consolidated Balance Sheet
1 Other current financial instruments
2 Other non-current financial instruments

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months.

The Group adopted the hedge accounting requirements of IFRS 9 'Financial Instruments'. The Group enters into hedge relationships when there is an economic relationship between the underlying highly probable forecasted transactions (hedged item) and the forward foreign exchange contracts (hedged instruments). As the critical terms match for the prospective assessment of effectiveness, a qualitative assessment is performed. The Group has established a 1:1 hedge ratio as the underlying risks in the forward foreign currency exchange contract are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the Group uses the hypothetical derivative method to assess effectiveness.

The Group does not hold any forward foreign exchange contracts classified as fair value hedges.

The following table details the foreign exchange contracts classified as cash flow hedges at 31 December:

	Fair Value Liability		**Notional Principal**	
	2019 €'m	2018 €'m	**2019 €'m**	2018 €'m
Forward foreign exchange contracts				
less than 1 year	**(0.1)**	(1.0)	**1,735.7**	2,005.7
1 - 2 years	**-**	(0.1)	**19.8**	25.9
Forward foreign exchange contracts - cash flow hedges	**(0.1)**	(1.1)	**1,755.5**	2,031.6

The following table details the impact of forward foreign exchange contracts - cash flow hedges on the Consolidated Balance Sheet as at 31 December:

	2019 €'m	2018 €'m
Forward foreign exchange contracts - cash flow hedges	**(0.1)**	(1.1)
Retained earnings and other reserves:		
Cash flow hedging reserve	**(1.6)**	(3.4)
Amount reclassified from OCI to profit or loss	**1.7**	4.5
	0.1	1.1

The fair value included in the hedging reserve will primarily be released to the Consolidated Income Statement within **6 months** (2018: 6 months) of the balance sheet date. All forward contracts relate to sales revenue and purchases made in their respective currencies and forward foreign exchange contracts that provide a hedge against foreign currency receivables from 'within Group' lending.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(i) Foreign exchange rate risk management (continued)

(i.i) Forward foreign exchange contracts (continued)

The following table details the impact of forward foreign exchange contracts* - cash flow hedges on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income during the financial year:

	2019 €'m	2018 €'m
Movements recognised in the Consolidated Statement of Comprehensive Income		
Total hedging gain recognised in OCI in the financial year	**(2.4)**	2.7
Amount reclassified from OCI to profit or loss	**0.6**	(2.1)
	(1.8)	0.6

	2019 €'m	2018 €'m
Movements recognised in the Consolidated Income Statement		
Income reclassified from OCI to profit or loss [1]	**(0.6)**	2.1
Ineffectiveness recognised in profit or loss [1]	**-**	-
	(0.6)	2.1

* Location of line item in the Consolidated Income Statement
[1] Other general overheads

There were no transactions during 2019 or 2018 which were designated as hedges that did not occur, nor are there hedges on forecast transactions that are no longer expected to occur.

(ii) Interest rate risk management

The Group is exposed to interest rate risk as the Group holds borrowings on both a fixed and floating basis. This exposure to interest rate risk is managed by optimising the mix of fixed and floating rate borrowings and by using interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures, in accordance with Group policy as approved by the Board of Directors. The Group reviews the mix of fixed and floating rate borrowings on an ongoing basis and adjusts where necessary to comply with Group policy. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair value.

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value

The Group's exposure to interest rates on financial assets and liabilities are detailed in the table below including the impact of cross currency swaps (CCS) on the currency profile of net debt:

	Total Pre CCS €'m	Impact of CCS €'m	Total after CCS €'m	Floating Rate Debt €'m	Fixed Rate Debt €'m
Euro	**(1,286.0)**	**(411.0)**	**(1,697.0)**	**(149.3)**	**(1,547.7)**
Sterling	**77.9**	**-**	**77.9**	**77.9**	**-**
US Dollar	**(887.4)**	**411.0**	**(476.4)**	**(253.7)**	**(222.7)**
Others	**129.2**	**-**	**129.2**	**129.2**	**-**
At 31 December 2019	**(1,966.3)**	**-**	**(1,966.3)**	**(195.9)**	**(1,770.4)**
Euro	(1,016.2)	(399.8)	(1,416.0)	(622.6)	(793.4)
Sterling	51.0	-	51.0	51.0	-
US Dollar	(805.5)	399.8	(405.7)	(187.3)	(218.4)
Others	64.2	-	64.2	64.2	-
At 31 December 2018	(1,706.5)	-	(1,706.5)	(694.7)	(1,011.8)

The currency profile of debt highlights the impact of the **US$658m** (2018: US$658m) of cross currency swaps entered into at the time of issuance of senior notes. For the 2013 senior notes, US$250m were swapped from US dollar fixed to euro fixed and are accounted for as cash flow hedges. For the 2010 senior notes, US$408m were swapped from US dollar fixed to euro floating and are accounted for as fair value hedges. The retranslation of the foreign currency debt of **US$658m** (2018: US$658m) to the balance sheet rate resulted in a foreign currency loss of **€116.3m** (2018: €105.1m) which is directly offset by a gain of **€116.3m** (2018: €105.1m) on the application of hedge accounting on the cross currency swaps.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.i) Interest rate profile of financial liabilities excluding related derivatives fair value (continued)

In addition, the Group holds €750m of senior notes issued in 2015, of which €175m were swapped, using cross currency swaps, from euro fixed to US dollar floating and are accounted for as fair value hedges of the related debt. The fair value of the related derivative includes an asset of **€1.5m** (2018: €4.8m) for movement in exchange rates since the date of execution which is directly offset by a loss of **€1.5m** (2018: €4.8m) on the application of hedge accounting on the cross currency swaps.

The floating rate financial liabilities are at rates which fluctuate mainly based upon LIBOR or EURIBOR and comprise of bank borrowings and other financial liabilities bearing interest rates fixed in advance for periods ranging from 1 to 6 months. At the financial year end **10%** (2018: 41%) of net debt and **30%** (2018: 52%) of gross debt was held at floating rates. If the interest rates applicable to floating rate net debt were to rise by 1% holding all other items constant, the profit of the Group before taxation and non-trading items in the Consolidated Income Statement could decrease by 1% (2018: 1%).

(ii.ii) Interest rate swap contracts

The Group's activities expose it to risks of changes in interest rates in relation to long term debt. The Group uses interest rate swaps, cross currency swaps and forward rate agreements to hedge these exposures. Derivative financial instruments are held in the Consolidated Balance Sheet at their fair values.

The Group adopts an 'exit price' approach to valuing interest rate derivatives to allow for credit risk.

The following table details the portfolio of interest rate derivative contracts* at the balance sheet date:

	Notes	**2019 €'m Asset**	**2019 €'m Liability**	**2019 €'m Total**	2018 €'m Asset	2018 €'m Liability	2018 €'m Total
Designated in a hedging relationship:							
Interest rate swap contracts - cash flow hedges	(a)	**18.4**	**-**	**18.4**	5.2	-	5.2
- non-current [2]		**18.4**	**-**	**18.4**	5.2	-	5.2
Interest rate swap contracts - fair value hedges	(b)	**110.0**	**-**	**110.0**	96.5	(5.5)	91.0
- current [1]		**45.7**	**-**	**45.7**	-	-	-
- non-current [2]		**64.3**	**-**	**64.3**	96.5	(5.5)	91.0
Interest rate swap contracts		**128.4**	**-**	**128.4**	101.7	(5.5)	96.2

* Location of line item in the Consolidated Balance Sheet
1 Other current financial instruments
2 Other non-current financial instruments

The Group adopted the hedge accounting requirements of IFRS 9 'Financial Instruments'. The Group enters into hedge relationships when there is an economic relationship between the identified notional amount of the underlying debt instrument (hedged item) and the interest rate swap contract (hedged instrument).

Interest rate swap

As the critical terms match for the prospective assessment of effectiveness, a qualitative assessment is performed. The Group has established a 1:1 hedge ratio as the underlying risks in the interest rate swap contracts are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship. In instances where changes occur to the hedged item which result in the critical terms no longer matching, the Group uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness may occur due to the credit/debit value adjustment on the interest rate swaps which is not matched by the loan.

Cross currency interest rate swap

The Group uses the hypothetical derivative method to assess effectiveness for such swaps as while the critical terms match, both qualitative and quantitative assessments are required to be performed as there remains characteristics in cross currency interest rate swap contracts that are not present in the hedged item, being basis risks. The Group has established a 1:1 hedge ratio as the underlying risks in the cross currency interest rate swap contracts are identical to the hedged risk components. Hedge effectiveness is determined at the origination of the hedging relationship and at each reporting date.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if the maturity of the hedged item is less than twelve months. The classification of the maturity profile of the interest rate derivative contracts are set out in the following tables (a) and (b).

24. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(a) Interest rate swap contracts - cash flow hedges

Under interest rate swap contracts, including cross currency interest rate swaps, the Group agrees to exchange the difference between the fixed and floating rate interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the cash flow hedges, where the Group receives a floating or a fixed interest rate and pays fixed interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		Fair Value Asset		Notional Principal	
	2019	2018	**2019**	2018	**2019**	2018
	%	%	**€'m**	€'m	**€'m**	€'m
Interest rate swap contracts						
2 - 5 years	**2.58**	2.58	**18.4**	5.2	**222.7**	218.4
Interest rate swap contracts - cash flow hedges			**18.4**	5.2	**222.7**	218.4

The following table details the impact of interest rate swap contracts* - cash flow hedges on the Consolidated Balance Sheet as at 31 December:

	2019	2018
	€'m	€'m
Interest rate swap contracts - cash flow hedges	**18.4**	5.2
Fixed rate borrowings:		
Amount reclassified from hedge reserve to profit or loss re: foreign exchange rate fluctuations[1]	**(27.2)**	(23.0)
Retained earnings and other reserves:		
Cash flow hedging reserve	**9.8**	18.9
Cost of hedging reserve	**(1.4)**	(1.6)
Accumulated hedge ineffectiveness	**0.4**	0.5
	(18.4)	(5.2)

* Location of line item in the Consolidated Balance Sheet
[1] Borrowings & overdrafts

The following table details the impact of interest rate swap contracts - cash flow hedges on the Consolidated Statement of Comprehensive Income during the financial year:

	2019	2018
	€'m	€'m
Total hedging (loss)/gain recognised in cash flow hedging reserve	**(4.3)**	10.3
Total hedging gain/(loss) recognised in cost of hedging reserve	**0.2**	(1.6)
Amount reclassified from hedge reserve to profit or loss re: foreign exchange rate fluctuations	**(4.2)**	(9.8)
Amount reclassified from OCI to profit or loss re: interest rate fluctuations	**(0.5)**	(0.4)
Ineffectiveness recognised in profit or loss	**(0.1)**	0.8
Net impact	**(8.9)**	(0.7)

24. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(a) Interest rate swap contracts - cash flow hedges (continued)

The following table details the income/(expense) impact of interest rate swap contracts* - cash flow hedges and the hedged item on the Consolidated Income Statement during the financial year:

	2019 €'m	2018 €'m
Interest rate swap contracts - cash flow hedges:		
Foreign exchange rate fluctuations [1]	**4.2**	9.8
Amount reclassified from OCI to profit or loss re: interest rate fluctuations [2]	**0.5**	0.4
Ineffectiveness recognised in profit or loss [2]	**0.1**	(0.8)
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(4.2)**	(9.8)
Net impact	**0.6**	(0.4)

* Location of line item in the Consolidated Income Statement
[1] Other general overheads
[2] Finance costs

The interest rate swaps settle on a 6 monthly basis, the difference between the floating rate or fixed rate due to be received and the fixed rate to be paid are settled on a net basis.

(b) Interest rate swap contracts - fair value hedges

Under interest rate swap contracts including cross currency interest rate swaps, the Group agrees to exchange the difference between the floating and fixed interest amounts calculated on the agreed notional principal amounts.

The following table details the notional principal amounts and remaining terms of the fair value hedges, where the Group receives a fixed interest rate and pays a floating interest rate on swaps as at 31 December:

	Average Contracted Fixed Interest Rate		**Fair Value Asset**		**Notional Principal**	
	2019 %	2018 %	**2019 €'m**	2018 €'m	**2019 €'m**	2018 €'m
Interest rate swap contracts						
less than 1 year	**4.8**	-	**45.7**	-	**185.3**	-
1 - 2 years	**-**	4.8	**-**	42.8	**-**	181.7
2 - 5 years	**3.8**	3.8	**33.6**	22.8	**334.0**	327.6
> 5 years	**3.1**	3.1	**30.7**	25.4	**241.8**	240.5
Interest rate swap contracts - fair value hedges			**110.0**	91.0	**761.1**	749.8

The interest rate swaps settle on a 6 monthly or annual basis. The floating interest rate paid by the Group is based on 6 month EURIBOR or LIBOR. All hedges are highly effective on a prospective and retrospective basis.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(ii) Interest rate risk management (continued)

(ii.ii) Interest rate swap contracts (continued)

(b) Interest rate swap contracts - fair value hedges (continued)

The following table details the impact of interest rate swap contracts* - fair value hedges and the hedged items on the Consolidated Balance Sheet as at 31 December:

	2019 €'m	2018 €'m
Interest rate swap contracts - fair value hedges	**110.0**	91.0
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(89.1)**	(82.1)
Interest rate movements [1]	**(24.9)**	(13.2)
Receivables:		
Foreign exchange rate fluctuations [2]	**(1.5)**	(4.8)
Retained earnings and other reserves:		
Hedge ineffectiveness	**2.7**	5.5
Cost of hedging reserve	**2.8**	3.6
	(110.0)	(91.0)

* Location of line item in the Consolidated Balance Sheet
[1] Borrowings and overdrafts
[2] Receivables: €175m of the 2015 senior notes issuance were swapped from Euro to US dollars and subsequently on-lent from a Euro entity to a US dollar entity

The following table details the impact of interest rate swap contracts - fair value hedges on the Consolidated Statement of Comprehensive Income during the financial year:

	2019 €'m	2018 €'m
Amounts recognised in the cost of hedging reserve	**(0.8)**	3.6

The following table details the income/(expense) impact of interest rate swap contracts*/** - fair value hedges and the hedged items on the Consolidated Income Statement during the financial year:

	2019 €'m	2018 €'m
Interest rate swap contracts - fair value hedges:		
Foreign exchange rate fluctuations [1]	**3.7**	8.4
Interest rate movements [2]	**11.7**	(6.8)
Ineffectiveness recognised in profit or loss [2]	**2.8**	1.0
Fixed rate borrowings:		
Foreign exchange rate fluctuations [1]	**(7.0)**	(16.0)
Interest rate movements [2]	**(11.7)**	6.8
Receivables:		
Foreign exchange rate fluctuations [3]	**3.3**	7.6
Net impact	**2.8**	1.0

* Location of line item in the Consolidated Income Statement
** Location of line item in the Consolidated Balance Sheet
[1] Other general overheads
[2] Finance costs
[3] Receivables: €175m of the 2015 senior notes issuance were swapped from Euro to US dollars and subsequently on-lent from a Euro entity to a US dollar entity within the Group

24. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management

Liquidity risk considers the risk that the Group could encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. There is no significant concentration of liquidity risk.

Group funding and liquidity is managed by ensuring that sufficient facilities are available from diverse funding sources with an appropriate spread of debt maturities to match the underlying assets. The Group uses cash flow forecasts to constantly monitor the funding requirements of the Group.

Group businesses are funded from cash generated from operations, borrowings from banks and senior notes from capital markets. It is Group policy to ensure that:

- sufficient facilities are available to cover its gross forecast debt by at least 1.25 times; and
- at least 75% of total facilities available are committed.

Both targets were met at 31 December 2019 and 2018.

Funding is sourced from banks via syndicated and bilateral arrangements and from institutional investors.

All Group credit facilities are arranged and managed by Group Treasury and approved by the Board of Directors. Where possible, facilities have common security, financial covenants and terms and conditions.

At 31 December 2019, the Group had undrawn committed bank facilities of **€1,100m** (2018: €750m), and a portfolio of undrawn standby facilities amounting to **€330m** (2018: €320m). The undrawn committed facilities comprise primarily of a revolving credit facility maturing between **4 - 5 years** (2018: between 3 - 4 years).

(iii.i) Contractual maturity profile of non-derivative financial instruments

The following table details the Group's remaining contractual maturity of its non-derivative financial instruments excluding trade and other payables (note 20) and other non-current liabilities (note 22), of which **€1,630.0m** (2018: €1,472.0m) is payable within 1 year, **€147.9m** (2018: €82.4m) between 2 and 5 years and **€11.3m** (2018: €0.2m) is payable after 5 years. The balances include the impact of lease liabilities in 2019. This information has been drawn up based on the undiscounted cash flows of financial liabilities to the earliest date on which the Group can be required to repay. The analysis includes both interest commitments and principal cash flows. To the extent that interest rates are floating, the rate used is derived from interest rate yield curves at the end of the reporting date and as such, are subject to change based on market movements.

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts	(5.2)	-	-	-	(5.2)
Bank loans	-	(1.2)	-	-	(1.2)
Senior notes	(185.3)	-	(777.6)	(1,551.9)	(2,514.8)
Borrowings and overdrafts	(190.5)	(1.2)	(777.6)	(1,551.9)	(2,521.2)
Deferred payments on acquisition of businesses	(13.0)	(2.7)	(6.0)	-	(21.7)
	(203.5)	(3.9)	(783.6)	(1,551.9)	(2,542.9)
Interest commitments	(53.2)	(52.8)	(105.2)	(34.6)	(245.8)
At 31 December 2019	**(256.7)**	**(56.7)**	**(888.8)**	**(1,586.5)**	**(2,788.7)**
Reconciliation to net debt position:					
Borrowings and overdrafts	(190.5)	(1.2)	(777.6)	(1,551.9)	(2,521.2)
Senior notes - fair value adjustment	(0.3)	-	(7.0)	(17.6)	(24.9)
Borrowings - reported	(190.8)	(1.2)	(784.6)	(1,569.5)	(2,546.1)
Interest rate swaps	45.7	-	52.0	30.7	128.4
Cash at bank and in hand	554.9	-	-	-	554.9
Total net debt as at 31 December 2019	**409.8**	**(1.2)**	**(732.6)**	**(1,538.8)**	**(1,862.8)**

24. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management (continued)

(iii.i) Contractual maturity profile of non-derivative financial instruments (continued)

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Bank overdrafts	(9.9)	-	-	-	(9.9)
Bank loans	(3.9)	(1.5)	(350.0)	-	(355.4)
Senior notes	-	(181.7)	(762.1)	(811.2)	(1,755.0)
Borrowings and overdrafts	(13.8)	(183.2)	(1,112.1)	(811.2)	(2,120.3)
Deferred payments on acquisition of businesses	(10.1)	-	-	-	(10.1)
	(23.9)	(183.2)	(1,112.1)	(811.2)	(2,130.4)
Interest commitments	(56.6)	(48.8)	(118.1)	(33.6)	(257.1)
At 31 December 2018	(80.5)	(232.0)	(1,230.2)	(844.8)	(2,387.5)

Reconciliation to net debt position:					
Borrowings and overdrafts	(13.8)	(183.2)	(1,112.1)	(811.2)	(2,120.3)
Senior notes - fair value adjustment	-	(1.8)	1.3	(12.7)	(13.2)
Borrowings - reported	(13.8)	(185.0)	(1,110.8)	(823.9)	(2,133.5)
Interest rate swaps	-	42.8	28.0	25.4	96.2
Cash at bank and in hand	413.8	-	-	-	413.8
Total net debt as at 31 December 2018	400.0	(142.2)	(1,082.8)	(798.5)	(1,623.5)

(iii.ii) Contractual maturity profile of derivative financial instruments

The following table details the Group's remaining contractual maturity of its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis. To the extent that the amounts payable or receivable are not fixed, the rate used is derived from interest rate yield curves at the end of the reporting date and as such are subject to change based on market movements.

	On demand & up to 1 year €'m	**Up to 2 years €'m**	**2 - 5 years €'m**	**> 5 years €'m**	**Total €'m**
Interest rate swaps inflow	**73.2**	**27.3**	**98.9**	**18.0**	**217.4**
Interest rate swaps outflow	**(20.0)**	**(19.2)**	**(40.9)**	**-**	**(80.1)**
Net interest rate swaps inflow	**53.2**	**8.1**	**58.0**	**18.0**	**137.3**
Forward foreign exchange contracts outflow	**(0.1)**	**-**	**-**	**-**	**(0.1)**
At 31 December 2019	**53.1**	**8.1**	**58.0**	**18.0**	**137.2**

	On demand & up to 1 year €'m	Up to 2 years €'m	2 - 5 years €'m	> 5 years €'m	Total €'m
Interest rate swaps inflow	35.6	69.2	108.1	26.3	239.2
Interest rate swaps outflow	(24.9)	(23.0)	(56.6)	(6.3)	(110.8)
Net interest rate swaps inflow	10.7	46.2	51.5	20.0	128.4
Forward foreign exchange contracts inflow	(1.0)	(0.1)	-	-	(1.1)
At 31 December 2018	9.7	46.1	51.5	20.0	127.3

24. Financial instruments (continued)

Financial risk management objectives (continued)

(iii) Liquidity risk management (continued)

(iii.ii) Contractual maturity profile of derivative financial instruments (continued)

Included in the interest rate swaps inflow and outflow is the foreign currency differential on final maturity of the cross currency interest rate swaps as follows:

Swaps inflow
- Up to 1 year - swaps inflow of **€45.4m** (2018: €nil)
- 1 - 2 years - swaps inflow of **€nil** (2018: €41.9m)
- 2 - 5 years - swaps inflow of **€54.6m** (2018: €48.1m)
- Greater than 5 years - swaps inflow of **€17.8m** (2018: €19.9m)

(iii.iii) Summary of borrowing arrangements

(a) Bank loans

Bank loans comprise committed term loan facilities, committed revolving credit facilities, bilateral term loans and other uncommitted facilities:
- Demand facilities;
- Syndicate revolving credit facilities of €1.1bn maturing June 2024; and
- Bilateral term loans with maturities ranging up to 1 year.

(b) 2019 Euro senior note - public

The Group issued a 10 year euro note of €750m at an interest rate of 0.625% with a maturity date on 20 September 2029.

(c) 2015 Euro senior note - public

The Group issued a debut 10 year euro note of €750m at an interest rate of 2.375% with a maturity date on 10 September 2025.

(d) 2013 US dollar senior note - public

The Group issued a debut 10 year USA public note of US$750m at an interest rate of 3.2% with a maturity date on 9 April 2023.

(e) 2010 Senior notes - private

The Group placed US$600m of senior notes with USA institutional investors in four tranches with maturity as follows:
- Tranche A of US$192m - matured and repaid on 20 January 2017
- Tranche B of US$208m - maturing on 20 January 2020
- Tranche C of US$125m - maturing on 20 January 2022
- Tranche D of US$75m - maturing on 20 January 2025

The interest rates listed above are before the effects of related interest rate swaps.

The 2010 senior notes have financial covenants attached to them. The Group was in full compliance with these covenants for the financial years 2019 and 2018.

(iv) Credit risk management

Cash deposits and other financial assets give rise to credit risk on the amounts due from counterparties.

The Group controls and monitors the distribution of this exposure by ensuring that all financial instruments are held with reputable and financially secure institutions and that exposure to credit risk is distributed across a number of institutions. At 31 December 2019 and 2018 all cash, short-term deposits and other liquid investments had a maturity of less than 3 months.

Credit risk exposure to financial institutions is actively managed across the portfolio of institutions by setting appropriate credit exposure limits based on a value at risk calculation that takes EBITDA of the Group and calculates approved tolerance levels based on credit default swap rates for the financial institutions. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling the institutions with which the Group enters into derivative contracts. Credit default swaps for those financial institutions are as published by independent credit rating agencies and are updated and reviewed on an ongoing basis.

The Group's exposure to its counterparties is continuously monitored and the aggregate value of transactions entered into is spread amongst approved counterparties.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable at operating unit level at least on a monthly basis.

The Group's maximum exposure to credit risk consists of gross trade receivables (note 19), cash deposits (note 23) and other financial assets (note 23), which are primarily interest rate swaps and foreign exchange contracts.

In relation to credit risk on derivative financial instruments, where appropriate, the Group credit risk is actively managed across the portfolio of institutions through monitoring the credit default swaps (CDS) and setting appropriate credit exposure limits based on CDS levels. These levels are applied in controlling the level of material surplus funds that are placed with counterparties and for controlling institutions with which the Group enters into derivative contracts.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(v) Price risk management

The Group's exposure to equity securities price risk, due to financial asset investments held, is considered to be low as the level of securities held versus the Group's net assets is not material.

(vi) Fair value of financial instruments

(a) Fair value of financial instruments carried at fair value

Financial instruments recognised at fair value are analysed between those based on:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- those involving inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- those involving inputs for the assets or liabilities that are not based on observable market data (unobservable inputs) (Level 3).

		Fair Value Hierarchy	2019 €'m	2018 €'m
Financial assets				
Interest rate swaps:	Non-current	Level 2	**82.7**	101.7
	Current	Level 2	**45.7**	-
Forward foreign exchange contracts:	Current	Level 2	**12.0**	10.0
Financial asset investments:	Fair value through profit or loss	Level 1	**37.4**	30.0
	Fair value through other comprehensive income	Level 3	**4.3**	5.3
Financial liabilities				
Interest rate swaps:	Non-current	Level 2	**-**	(5.5)
Forward foreign exchange contracts:	Non-current	Level 2	**-**	(0.1)
	Current	Level 2	**(12.1)**	(11.0)

The reconciliation of Level 3 assets is provided in note 13. There have been no transfers between levels during the current or prior financial year.

(b) Fair value of financial instruments carried at amortised cost

Except as detailed in the following table, it is considered that the carrying amounts of financial assets and financial liabilities recognised at amortised cost in the financial statements approximate their fair values.

	Fair Value Hierarchy	Carrying Amount 2019 €'m	Fair Value 2019 €'m	Carrying Amount 2018 €'m	Fair Value 2018 €'m
Financial liabilities					
Senior notes - Public	Level 2	**(2,151.4)**	**(2,217.1)**	(1,398.6)	(1,377.0)
Senior notes - Private	Level 2	**(363.4)**	**(372.9)**	(356.4)	(358.8)
		(2,514.8)	**(2,590.0)**	(1,755.0)	(1,735.8)

(c) Valuation principles

The fair value of financial assets and liabilities are determined as follows:

- assets and liabilities with standard terms and conditions which are traded on active liquid markets are determined with reference to quoted market prices. This includes equity investments;
- other financial assets and liabilities (excluding derivatives) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. This includes interest rate swaps and forward foreign exchange contracts which are determined by discounting the estimated future cash flows;
- the fair values of financial instruments that are not based on observable market data (unobservable inputs) requires entity specific valuation techniques. Disclosures are set out in note 13; and
- derivative financial instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments. Forward foreign exchange contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates adjusted for counterparty credit risk, which is calculated based on credit default swaps of the respective counterparties.

24. Financial instruments (continued)

Financial risk management objectives (continued)

(vii) Offsetting financial instruments

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. The ISDA agreements do not meet the criteria for offsetting in the Consolidated Balance Sheet. This is because the Group does not have any current legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as a default on the bank loans or other credit events. No collateral is paid or received.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

The table also sets out where the Group has offset bank overdrafts against cash at bank and in hand based on a legal right of offset as set out in the banking agreements.

	Gross amounts of financial assets in the Consolidated Balance Sheet €'m	Gross amounts of financial liabilities in the Consolidated Balance Sheet €'m	Amounts of financial instruments presented in the Consolidated Balance Sheet €'m	Related financial instruments that are not offset €'m	Net amount €'m
At 31 December 2019					
Financial assets					
Cash at bank and in hand	**554.9**	**-**	**554.9**	**-**	**554.9**
Forward foreign exchange contracts	**12.0**	**-**	**12.0**	**(8.3)**	**3.7**
Interest rate swaps	**128.4**	**-**	**128.4**	**-**	**128.4**
	695.3	**-**	**695.3**	**(8.3)**	**687.0**
Financial liabilities					
Bank overdrafts	**-**	**(5.2)**	**(5.2)**	**-**	**(5.2)**
Forward foreign exchange contracts	**-**	**(12.1)**	**(12.1)**	**8.3**	**(3.8)**
Interest rate swaps	**-**	**-**	**-**	**-**	**-**
	-	**(17.3)**	**(17.3)**	**8.3**	**(9.0)**
At 31 December 2018					
Financial assets					
Cash at bank and in hand	413.8	-	413.8	-	413.8
Forward foreign exchange contracts	10.0	-	10.0	(8.5)	1.5
Interest rate swaps	101.7	-	101.7	(5.5)	96.2
	525.5	-	525.5	(14.0)	511.5
Financial liabilities					
Bank overdrafts	-	(9.9)	(9.9)	-	(9.9)
Forward foreign exchange contracts	-	(11.1)	(11.1)	8.5	(2.6)
Interest rate swaps	-	(5.5)	(5.5)	5.5	-
	-	(26.5)	(26.5)	14.0	(12.5)

25. Provisions

	Insurance €'m	Non-Trading Items €'m	Total €'m
Group:			
At 1 January 2018	51.3	11.1	62.4
(Released)/provided during the financial year	(0.4)	1.5	1.1
Utilised during the financial year	(5.5)	-	(5.5)
Transferred to payables and accruals	-	(5.4)	(5.4)
Exchange translation adjustment	(0.2)	-	(0.2)
At 31 December 2018	45.2	7.2	52.4
Provided during the financial year	**0.8**	**9.6**	**10.4**
Utilised during the financial year	**-**	**-**	**-**
Transferred to payables and accruals	**-**	**(4.9)**	**(4.9)**
Exchange translation adjustment	**0.6**	**(0.1)**	**0.5**
At 31 December 2019	**46.6**	**11.8**	**58.4**

	2019 €'m	2018 €'m
Analysed as:		
Current liabilities	**25.2**	20.3
Non-current liabilities	**33.2**	32.1
	58.4	52.4

Insurance
The Group operates a level of self-insurance. Under these arrangements, the Group retains certain exposures up to pre-determined self-insurance levels. The amount of self-insurance is reviewed on a regular basis to ensure it remains appropriate. The provision for these exposures represents amounts provided based on advice from insurance consultants, industry information, actuarial valuation and historical data in respect of claims that are classified as incurred but not reported and outstanding loss reserves. The methodology of estimating the provision is periodically reviewed to ensure that the assumptions made continue to be appropriate. The utilisation of the provision is dependent on the timing of settlement of the outstanding claims. Historically, the average time for settlement of outstanding claims ranges from 2 to 4 years from claim date.

Non-trading items
Non-trading items relate to restructuring and acquisition integration provisions incurred in 2019 and 2018 together with a residual amount incurred in 2013. These costs are expected to be paid within 24 months.

26. Retirement benefits obligation

The Group operates post-retirement benefit plans in a number of its businesses throughout the world. These plans are structured to accord with local conditions and practices in each country they operate in and can include both defined contribution and defined benefit plans. The assets of the schemes are held, where relevant, in separate trustee administered funds.

Defined benefit post-retirement schemes exist in a number of countries in which the Group operates, primarily in Ireland and the Netherlands (Eurozone), the UK and the USA (included in Rest of World). These defined benefit plans, most of which are closed to future accrual, comprise final salary pension plans, career average salary pension plans and post-retirement medical plans. The post-retirement medical plans operated by the Group relate primarily to a number of USA employees. Defined benefit schemes in Ireland, the UK, and the USA are administered by Boards of Trustees. The Boards of Trustees generally comprise of representatives of the employees, the employer and independent trustees. These Boards are responsible for the management and governance of the plans including compliance with all relevant laws and regulations.

The values used in the Group's consolidated financial statements are based on the most recent actuarial valuations and have been updated by the individual schemes' independent and professionally qualified actuaries to incorporate the requirements of IAS 19 'Employee Benefits' in order to assess the liabilities of the various schemes as at 31 December 2019 using the projected unit credit method. All assets in the schemes have been measured at their fair value at the balance sheet date. Full actuarial valuations for funding purposes are carried out for the Group's pension plans in line with local requirements. The actuarial reports are not available for public inspection.

26. Retirement benefits obligation (continued)

The Group continues to harmonise, standardise and integrate the benefit offering to employees across the countries in which it operates. In 2019, a number of deferred members transferred their past service benefits out of the Irish defined benefit plans. In 2018, following consultation with employees, a decision was made to close the UK defined benefit scheme to future accrual from 5 April 2018 with future service being offered to employees in the defined contribution scheme.

The defined benefit plans expose the Group to risks such as interest rate risk, investment risk, inflation risk and mortality risk.

Interest rate risk
The calculation of the present value of the defined benefit obligation is sensitive to the discount rate which is derived from the interest yield on high quality corporate bonds at the balance sheet date. Market conditions in recent years have resulted in volatility in discount rates which has significantly impacted the present value of the defined benefit obligation. Such changes lead to volatility in the Group's Consolidated Balance Sheet, Consolidated Income Statement and Consolidated Statement of Comprehensive Income. Interest rates also impact on the funding requirements for the plans.

Investment risk
The net deficit recognised in the Consolidated Balance Sheet represents the present value of the defined benefit obligation less the fair value of the plan assets. When assets generate a rate of return less than the discount rate this results in an increase in the net deficit. Currently the plans have a diversified portfolio of investments in equities, bonds and other types of asset classes. External investment consultants periodically conduct an investment review and advise on the most appropriate asset allocation taking account of asset valuations, funding requirements, liability duration and the achievement of an appropriate return on assets.

Inflation risk
A significant proportion of the defined benefit obligation is linked to inflation, therefore an increase in inflation rates will increase the defined benefit obligation. However, a portion of the plan assets are inflation-linked debt securities which mitigates some of the effects of inflation movements.

Mortality risk
The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the defined benefit obligation.

(i) Recognition in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income

The following amounts have been recognised in the Consolidated Income Statement and the Consolidated Statement of Comprehensive Income in relation to defined contribution and defined benefit post-retirement plans:

	2019 €'m	2018 €'m
Service cost:		
- Costs relating to defined contribution schemes	**64.0**	57.9
- Current service cost relating to defined benefit schemes	**2.7**	6.9
- Past service and settlements	**(9.9)**	(23.1)
Net interest cost	**0.8**	1.4
Recognised in the Consolidated Income Statement	**57.6**	43.1
Re-measurements of the net defined benefit liability:		
- Return on plan assets (excluding amounts included in net interest cost)	**(198.5)**	99.7
- Experience losses/(gains) on schemes' liabilities	**3.3**	(26.8)
- Actuarial gains arising from changes in demographic assumptions	**(8.9)**	(19.4)
- Actuarial losses/(gains) arising from changes in financial assumptions	**190.1**	(88.0)
Recognised in the Consolidated Statement of Comprehensive Income	**(14.0)**	(34.5)
Total	**43.6**	8.6

The total service cost is included in total staff numbers and costs (note 4) and the net interest cost is included in finance income and costs (note 6).

26. Retirement benefits obligation (continued)

(ii) Recognition in the Consolidated Balance Sheet

The Group's net defined benefit post-retirement schemes' deficit at 31 December, which has been recognised in the Consolidated Balance Sheet, was as follows:

	31 December 2019 €'m	31 December 2018 €'m
Present value of defined benefit obligation	**(1,441.6)**	(1,280.4)
Fair value of plan assets	**1,429.7**	1,227.2
Net recognised deficit in plans before deferred tax	**(11.9)**	(53.2)
Net related deferred tax asset	**3.3**	9.2
Net recognised deficit in plans after deferred tax	**(8.6)**	(44.0)

(iii) Financial and demographic assumptions

The principal financial assumptions used by the Group's actuaries in order to calculate the defined benefit obligation at 31 December, some of which have been shown in range format to reflect the differing assumptions in each scheme, were as follows:

	2019			2018		
	Eurozone %	**UK %**	**Rest of World %**	Eurozone %	UK %	Rest of World %
Inflation assumption	**1.50**	**2.60**	**2.50**	1.60	3.10	2.50
Rate of increase in salaries	**N/A***	**N/A***	**3.00**	N/A*	N/A*	3.00
Rate of increase for pensions in payment and deferred pensions	**1.50**	**1.80 - 2.60**	**-**	1.55 - 1.60	2.10 - 2.90	-
Rate used to discount schemes' liabilities	**1.15 - 1.50**	**2.10**	**2.50 - 3.00**	2.20	3.00	3.75 - 4.25

* Not applicable due to closure of the Irish, Netherlands and UK defined benefit plans to future accrual during 2016 to 2018.

The most significant demographic assumption is mortality. The mortality assumptions used are based on advice from the pension schemes' actuaries and reflect each scheme's population. The life expectancy of a member retiring at 31 December at age 65, now and in 20 years' time, some of which have been shown in range format to reflect the differing assumptions in each scheme, is as follows:

	2019			2018		
	Eurozone Years	**UK Years**	**Rest of World Years**	Eurozone Years	UK Years	Rest of World Years
Male - retiring now	**22**	**20**	**21 - 22**	22	21	21 - 22
Female - retiring now	**24 - 25**	**23**	**23 - 24**	23 - 25	23	23 - 24
Male - retiring in 20 years' time	**24**	**21**	**22 - 24**	23 - 24	22	22 - 24
Female - retiring in 20 years' time	**25 - 27**	**24**	**24 - 25**	25 - 26	24	24 - 25

There are inherent uncertainties surrounding the financial and demographic assumptions adopted by the Group. The assumptions may differ from the actual data as a result of changes in economic and market conditions as well as the actual experience within each scheme. The present value of post-retirement benefit schemes' liabilities is heavily dependent on the discount rate. As the discount rate is based on a market driven measure, which is the interest yield on high quality corporate bonds at the balance sheet date, the present value of post-retirement benefit schemes' liabilities can fluctuate significantly from valuation to valuation. The expected rate of inflation impacts the schemes' liabilities in that inflation is the basis for the calculation of the assumed future salary and revaluation increases in each scheme where applicable. In relation to demographic assumptions, differing expectations regarding current and future changes in mortality rates can have a significant impact on the schemes' liabilities.

The table below gives an approximate indication of the impact of a change in the principal financial actuarial assumptions (discount rate, inflation rate, salary increases and pensions in payment and deferred pension increases) and the principal demographic actuarial assumption (mortality) on the schemes' liabilities. The present value of the defined benefit obligation has been calculated using the projected unit credit method. The impact on the defined benefit obligation at 31 December 2019 is calculated on the basis that only one assumption is changed with all other assumptions remaining unchanged. The assessment of the sensitivity analysis below could therefore be limited as a change in one assumption may not occur in isolation as assumptions may be correlated. There have been no changes from the previous year in the methods and assumptions used in preparing the sensitivity analysis.

26. Retirement benefits obligation (continued)

(iii) Financial and demographic assumptions (continued)

Assumption	Change in assumption	Impact on schemes' liabilities
Discount rate	Increase/decrease of 0.50%	Decrease/increase of 11.2%
Inflation rate	Increase/decrease of 0.50%	Increase/decrease of 7.8%
Salary increases	Increase/decrease of 0.50%	Increase/decrease of 0.0%
Pensions in payment and deferred pensions increases	Increase/decrease of 0.50%	Increase/decrease of 5.2%
Mortality	Increase/decrease in life expectancy of 1 Year	Increase/decrease of 3.6%

(iv) Reconciliations for defined benefit plans

The movements in the defined benefit schemes' obligation during the financial year were:

	2019 €'m	2018 €'m
Present value of the defined benefit obligation at beginning of the financial year	(1,280.4)	(1,477.3)
Current service cost	**(2.7)**	(6.9)
Past service and settlements	**9.9**	23.1
Interest expense	**(34.3)**	(35.0)
Contributions by employees	**-**	(1.1)
Benefits paid	**59.7**	79.8
Re-measurements:		
- experience (losses)/gains on schemes' liabilities	**(3.3)**	26.8
- actuarial gains arising from changes in demographic assumptions	**8.9**	19.4
- actuarial (losses)/gains arising from changes in financial assumptions	**(190.1)**	88.0
Decrease arising on settlement	**31.0**	0.4
Exchange translation adjustment	**(40.3)**	2.4
Present value of the defined benefit obligation at end of the financial year	**(1,441.6)**	(1,280.4)

Present value of the defined benefit obligation at end of the financial year that relates to:

Wholly unfunded plans	**(20.0)**	(19.3)
Wholly or partly funded plans	**(1,421.6)**	(1,261.1)
	(1,441.6)	(1,280.4)

The weighted average duration of the defined benefit obligation at 31 December 2019 is approximately **21 years** (2018: approximately 21 years).

The movements in the schemes' assets during the financial year were:

	2019 €'m	2018 €'m
Fair value of plan assets at beginning of the financial year	1,227.2	1,353.0
Interest income	**33.5**	33.6
Contributions by employer	**19.5**	23.8
Contributions by employees	**-**	1.1
Benefits paid	**(59.7)**	(79.8)
Re-measurements:		
- return on plan assets (excluding amounts included in net interest cost)	**198.5**	(99.7)
Decrease arising on settlement	**(31.0)**	(0.4)
Exchange translation adjustment	**41.7**	(4.4)
Fair value of plan assets at end of the financial year	**1,429.7**	1,227.2

26. Retirement benefits obligation (continued)

(iv) Reconciliations for defined benefit plans (continued)

The fair values of each of the categories of the pension schemes' assets at 31 December were as follows:

	2019 €'m	2018 €'m
Equities		
- Global Equities	**662.1**	567.1
- Emerging Market Equities	**67.3**	57.1
- Global Small Cap Equities	**3.5**	3.1
Government Fixed Income	**25.9**	96.6
Other Fixed Income	**473.3**	349.0
Multi-asset Funds		
- Diversified Growth Funds	**166.6**	148.2
- Hedge Funds	**0.1**	0.1
Cash and other	**30.9**	6.0
Total fair value of pension schemes' assets	**1,429.7**	1,227.2

The majority of equity securities and bonds have quoted prices in active markets. The schemes' assets are invested with professional investment managers. Investments in the Group's own financial instruments, if any, are solely at the discretion of the investment managers concerned. The actual amount of the Group's own financial instruments held by the pension schemes during 2019 and 2018 were not material. No property held by the pension schemes was occupied by the Group nor were any other pension schemes' assets used by the Group during 2019 or 2018.

In 2018, the UK scheme invested in a pooled Liability Driven Investment (LDI) strategy and the Irish Schemes invested in a similar LDI strategy during 2019. The primary goal of this asset class is to mitigate volatility and enable better matching of investment returns with the cash outflows required to pay benefits. The pooled LDI solutions invest in various levered and unlevered bonds and the value of the LDI assets at 31 December 2019 across UK and Irish schemes was **€337.0m** (2018: €204.3m) which is based on the latest market bid price for the underlying investments, which are traded daily on liquid markets.

(v) Funding for defined benefit plans

The Group operates a number of defined benefit plans in a number of countries and each plan is required to be operated in line with local legislation, conditions, practices and the regulatory framework in place for the specific country. As a result, there are a number of different funding arrangements in place that accord with the specific local legislative, regulatory and actuarial requirements.

Funding for each plan is carried out by cash contributions from the Group's subsidiaries. These funding arrangements have been advised by the pension schemes' actuaries and agreed between the Group and the relevant Trustees. It is the aim of the Group to eliminate actuarial deficits, on average over seven to eight years. Actuarial valuations, which are not available for public inspection, are carried out every three years in Ireland and the UK; and every year in the USA. During the financial year ending 31 December 2020, the Group expects to make contributions of approximately €16.2m to its defined benefit plans.

27. Share capital

	2019 €'m	2018 €'m
Group and Company:		
Authorised		
280,000,000 A ordinary shares of 12.50 cent each	**35.0**	35.0
Allotted, called-up and fully paid (A ordinary shares of 12.50 cent each)		
At beginning of the financial year	22.0	22.0
Shares issued during the financial year	**0.1**	-
At end of the financial year	**22.1**	22.0

The Company has one class of ordinary share which carries no right to fixed income.

27. Share capital (continued)

Shares issued

During 2019 a total of **216,526** (2018: 116,011) A ordinary shares, each with a nominal value of 12.50 cent, were issued at nominal value per share under the Long Term and Short Term Incentive Plans.

The total number of shares in issue at 31 December 2019 was **176,514,942** (2018: 176,298,416).

Share buy back programme

At the 2019 Annual General Meeting, shareholders passed a resolution authorising the Company to purchase up to 5% of its own issued share capital. In 2019 and 2018, no shares were purchased under this programme.

28. Share-based payments

The Group operates two equity-settled share-based payment plans. The first plan is the Group's Long Term Incentive Plan and the second is the element of the Group's Short Term Incentive Plan that is settled in shares/share options after a 2 year deferral period. Details on each of these plans are outlined below.

The Group recognised an expense of **€14.4m** (2018: €12.2m) related to equity-settled share-based payment transactions in the Consolidated Income Statement during the financial year. The expectation of meeting performance criteria was taken into account when calculating this expense.

(i) Long Term Incentive Plan

The Group operates an equity-settled Long Term Incentive Plan (LTIP) under which an invitation to participate was made to Executive Directors and senior executives. The proportion of each invitation which vests will depend on the Adjusted Earnings Per Share (EPS) performance, Total Shareholder Return (TSR) and Return on Average Capital Employed (ROACE) of the Group during a three year period ('the performance period'). The invitations made in 2017, 2018 and 2019 will potentially vest in 2020, 2021 and in 2022 respectively. 50% of the award will be issued at the date of vesting, with 50% being issued after a 2 year deferral period.

Up to 50% of the shares/share options subject to an invitation will vest according to the Group's Adjusted EPS growth calculated on a constant currency basis compared with target during the performance period. Up to 30% of the shares/share options subject to an invitation will vest according to the Group's TSR performance during the performance period measured against the TSR performance of a peer group of listed companies. The remaining 20% of the shares/share options will vest according to the Group's ROACE versus predetermined targets. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

Under the Long Term Incentive Plan (LTIP), the Group introduced career shares awards, under which an invitation to participate was made to a limited number of senior executives. The proportion of each invitation which vests will depend on personal objectives during a three year period ('the performance period') and the senior executives remaining within the Group for a four year period ('the retention period'). The invitations made in 2015, 2017, 2018 and 2019 will potentially vest in 2021, 2022/2023, 2024 and 2025 respectively. An invitation may lapse if a participant ceases to be employed within the Group before the vesting date.

28. Share-based payments (continued)

(i) Long Term Incentive Plan (continued)

A summary of the status of the LTIP as at 31 December and the changes during the financial year are presented below:

	Number of Conditional Awards 2019	Number of Conditional Awards 2018
Outstanding at beginning of the financial year	1,143,665	1,107,335
Forfeited	**(77,784)**	(124,867)
Shares vested	**(68,094)**	(90,547)
Share options vested	**(107,713)**	(110,180)
Relinquished	**(101,492)**	(121,467)
New conditional awards	**508,435**	483,391
Outstanding at end of the financial year	**1,297,017**	1,143,665

	Number of Share Options 2019	Number of Share Options 2018
Share options arising under the LTIP		
Outstanding at beginning of the financial year	180,615	141,517
Options released at vesting date	**58,316**	59,266
Options released from deferral	**36,113**	22,385
Exercised	**(148,770)**	(42,553)
Outstanding and exercisable at end of the financial year	**126,274**	180,615

Share options under the LTIP scheme have an exercise price of 12.50 cent. The remaining weighted average life for share options outstanding is **4.4 years** (2018: 4.1 years). The weighted average share price at the date of exercise was **€101.09** (2018: €87.64). 49,397 share options (2018: 50,914 share options) which vested in the financial year are deferred and therefore are not exercisable at year end.

At the invitation grant date, the fair value per conditional award and the assumptions used in the calculations are as follows:

LTIP Scheme	**2019 Conditional Award at Grant Date**	**2018 Conditional Award at Grant Date**	**2017 Conditional Award at Grant Date**	**2016 Conditional Award at Grant Date**
Conditional Award Invitation date	March 2019	March 2018	March 2017	March 2016
Year of potential vesting	2022/2025	2021/2024	2020/2023	2019
Share price at grant date	€95.40	€81.95	€74.52	€79.80
Exercise price per share/share options	€0.125	€0.125	€0.125	€0.125
Expected volatility	19.3%	19.8%	20.7%	19.1%
Expected life	3/7 years	3/7 years	3/7 years	3 years
Risk free rate	(0.5%)	(0.5%)	(0.8%)	(0.5%)
Expected dividend yield	0.7%	0.7%	0.7%	0.7%
Expected forfeiture rate	5.0%	5.0%	5.0%	5.0%
Weighted average fair value at grant date	€78.00/€95.92	€66.52/€77.96	€61.64/€70.94	€68.72
Valuation model	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing	Monte Carlo Pricing

28. Share-based payments (continued)

(i) Long Term Incentive Plan (continued)

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous three years. Market based vesting conditions, such as the TSR condition, have been taken into account in establishing the fair value of equity instruments granted. The TSR performance over the period is measured against the TSR performance of a peer group of listed companies. Non-market based performance conditions, such as the EPS and ROACE conditions, were not taken into account in establishing the fair value of equity instruments granted, however the number of equity instruments included in the measurement of the transaction is adjusted so that the amount recognised is based on the number of equity instruments that eventually vest.

(ii) Short Term Incentive Plan

In 2013 the Group's Short Term Incentive Plan (STIP) for Executive Directors was amended to incorporate a share-based payment element with 25% of the total bonus to be settled in shares/share options. The shares/share options awarded as part of this scheme will be issued 2 years after the vesting date once a deferral period has elapsed. There are no further performance conditions relating to the shares/share options during the deferral period.

There are **4,829** share options (2018: 5,172 share options) outstanding and exercisable in relation to the STIP.

A share-based payment expense is recognised in the Consolidated Income Statement for the scheme to reflect the cash value of the bonus to be paid by way of shares/share options. The issuance of shares/share options under the STIP, which relate to the 2015 and 2016 financial years were released from deferral in 2017 and 2018 respectively. The issuance of shares/share options under the STIP which related to the 2018 and 2019 financial years will be released from deferral in 2020 and 2021 respectively.

29. Cash flow components

(i) Cash flow analysis

	Notes	**Group 2019 €'m**	Group 2018 €'m	**Company 2019 €'m**	Company 2018 €'m
Profit before taxation		**645.9**	617.9	**137.5**	154.9
Intangible asset amortisation	12	**64.3**	53.8	**-**	-
Non-trading items	5	**110.9**	66.9	**14.9**	-
Finance income	6	**(0.3)**	(0.5)	**-**	-
Finance costs	6	**81.9**	67.5	**-**	-
Trading profit		**902.7**	805.6	**152.4**	154.9
Change in working capital					
Increase in inventories		**(78.6)**	(50.1)	**-**	-
(Increase)/decrease in trade and other receivables		**(49.9)**	(44.0)	**(41.7)**	21.7
Increase in trade and other payables		**45.7**	23.8	**4.6**	2.2
Increase/(decrease) in non-current liabilities		**4.5**	(20.7)	**-**	-
Share-based payment expense	28	**14.4**	12.2	**14.4**	12.2
		(63.9)	(78.8)	**(22.7)**	36.1
Purchase of assets					
Purchase of property, plant and equipment		**(258.9)**	(274.3)	**-**	-
Purchase of intangible assets	12	**(55.2)**	(30.4)	**-**	-
(Purchase)/sale of financial assets	13	**(1.5)**	8.6	**-**	-
		(315.6)	(296.1)	**-**	-
Cash and cash equivalents					
Cash at bank and in hand	23	**554.9**	413.8	**-**	-
Bank overdrafts	23	**(5.2)**	(9.9)	**-**	-
		549.7	403.9	**-**	-

29. Cash flow components (continued)

(ii) Disposal of businesses and assets reconciliation

	Notes	Group 2019 €'m	Group 2018 €'m
Assets and businesses			
Property, plant and equipment	11	**(36.3)**	(5.2)
Investments in associates	14	**-**	(5.5)
Assets classified as held for sale		**-**	(6.3)
Net assets and businesses disposed		**(36.3)**	(17.0)
Consideration			
Cash received		**32.8**	11.6
Total consideration received		**32.8**	11.6
Loss on disposal of assets and businesses	5	**(3.5)**	(5.4)

Net cash inflow on disposal:	Total 2019 €'m	Total 2018 €'m
Cash	**32.8**	11.6
Less: cash at bank and in hand balance disposed of	**-**	-
	32.8	11.6

(iii) Net debt reconciliation

	Note	Cash at bank and in hand €'m	Interest Rate Swaps €'m	Overdrafts due within 1 year* €'m	Borrowings due within 1 year* €'m	Borrowings due after 1 year* €'m	Net debt €'m	Lease liabilities* €'m	Total €'m
At 1 January 2018		312.5	87.5	(6.9)	(6.4)	(1,728.4)	(1,341.7)	-	(1,341.7)
Cash flows		101.9	-	(3.8)	2.5	(352.7)	(252.1)	-	(252.1)
Foreign exchange adjustments		(0.6)	0.6	0.8	-	(27.9)	(27.1)	-	(27.1)
Other non-cash movements		-	8.1	-	-	(10.7)	(2.6)	-	(2.6)
At 31 December 2018	23	413.8	96.2	(9.9)	(3.9)	(2,119.7)	(1,623.5)	-	(1,623.5)
Cash flows		**133.1**	**-**	**4.9**	**3.9**	**(389.5)**	**(247.6)**	**(35.5)**	**(283.1)**
Foreign exchange adjustments		**8.0**	**-**	**(0.2)**	**-**	**(12.0)**	**(4.2)**	**-**	**(4.2)**
Other non-cash movements		**-**	**32.2**	**-**	**(185.6)**	**165.9**	**12.5**	**(73.9)**	**(61.4)**
At 31 December 2019	23	**554.9**	**128.4**	**(5.2)**	**(185.6)**	**(2,355.3)**	**(1,862.8)**	**(109.4)**	**(1,972.2)**

* Liabilities from financing activities.

30. Business combinations

During 2019, the Group completed a total of eleven acquisitions, all of which are 100% owned by the Group unless otherwise stated.

	Notes	Total 2019 €'m
Recognised amounts of identifiable assets acquired and liabilities assumed:		
Non-current assets		
Property, plant and equipment	11	**115.1**
Brand related intangibles	12	**237.0**
Current assets		
Cash at bank and in hand		**2.9**
Inventories		**17.1**
Trade and other receivables		**11.2**
Current liabilities		
Trade and other payables		**(14.8)**
Non-current liabilities		
Deferred tax liabilities		**(7.2)**
Other non-current liabilities		**(0.3)**
Total identifiable assets		**361.0**
Goodwill	12	**200.7**
Total consideration		**561.7**

Satisfied by:	
Cash	**546.9**
Deferred payment	**14.8**
	561.7

Net cash outflow on acquisition:	Total 2019 €'m
Cash	**546.9**
Less: cash and cash equivalents acquired	**(2.9)**
Prepayments in relation to 2020 acquisitions	**18.7**
	562.7

The acquisition method has been used to account for businesses acquired in the Group's financial statements. Given that the valuation of the fair value of assets and liabilities recently acquired is still in progress, some of the above values are determined provisionally. The valuation of the fair value of assets and liabilities will be completed within the measurement period. For the acquisitions completed in 2018, there have been no material revisions of the provisional fair value adjustments since the initial values were established. The Group performs quantitative and qualitative assessments of each acquisition in order to determine whether it is material for the purposes of separate disclosure under IFRS 3 'Business Combinations'. None of the acquisitions completed during the period were considered material to warrant separate disclosure.

The goodwill is attributable to the expected profitability, revenue growth, future market development and assembled workforce of the acquired businesses and the synergies expected to arise within the Group after the acquisition. **€194.4m** of goodwill recognised is expected to be deductible for income tax purposes.

Transaction expenses related to these acquisitions of **€7.1m** were charged in the Group's Consolidated Income Statement during the financial year. The fair value of the financial assets includes trade and other receivables with a fair value of **€11.2m** and a gross contractual value of **€11.2m**.

30. Business combinations (continued)

From the date of acquisition, the acquired businesses have contributed **€140.9m** of revenue and **€10.6m** of profit after taxation attributable to owners of the parent to the Group. If the acquisition dates had been on the first day of the financial year, the acquired businesses would have contributed **€202.9m** of revenue and **€14.0m** of profit after taxation attributable to owners of the parent to the Group.

The following acquisitions were completed by the Group during 2019:

Acquisition	Acquired	Principal activity
Southeastern Mills	January	Southeastern Mills, located in the USA, is a leading food manufacturer specialising in coating and seasoning systems.
Ariake U.S.A., Inc.	March	Ariake is a manufacturer of natural clean label savoury solutions, based in the USA.
Muskvale Flavours & Fragrances	March	Muskvale Flavours & Fragrances, based in Australia, creates and sells flavours and fragrances.
ComeIn Food Systems	August	ComeIn Food Systems, located in Mexico, produce seasonings and functional ingredients.
Saporiti Whipping Agents	August	Saporiti Whipping Agents, based in Brazil, specialises in whipping agents technology.
Isoage Technologies	August	Isoage Technologies is a USA based supplier of fermentation technology and functional ingredients to the food, dairy and pet industries.
Ensyn Technologies	August	Ensyn Technologies are experts in Rapid Thermal Processing technology which forms the base for many smoke products, based in Canada.
Pevesa Biotech S.A.U.	September	Pevesa, based in Spain, is a specialist plant protein isolates and hydrolysates business, serving key nutrition applications.
Biosecur Lab	September	Biosecur is a supplier of natural antimicrobials made from citrus extracts, based in Canada.
Serve Food Solutions	September	Serve Food Solutions, based in the USA, provides solutions to manufacturers and foodservice companies.
Diana Food (Georgia, USA)	November	Diana Food, based in Georgia, USA, is a savoury taste manufacturer of natural clean label technologies.

31. Contingent liabilities

	2019 €'m	2018 €'m
Company:		
(i) Guarantees in respect of borrowings of subsidiaries	**2,521.2**	2,120.3

(ii) For the purposes of Section 357 of the Companies Act, 2014, the Company has undertaken by Board resolution to indemnify the creditors of its subsidiaries incorporated in the Republic of Ireland, as set out in note 36, in respect of all amounts shown as liabilities or commitments in the statutory financial statements as referred to in Section 357 (1) (b) of the Companies Act, 2014 for the financial year ending on 31 December 2019 or any amended financial period incorporating the said financial year. All other provisions of Section 357 have been complied with in this regard. The Company has given similar indemnities in relation to its subsidiaries in Germany (section 264 of the Commercial Code), Luxembourg (Article 70 of the Luxembourg law of 19 December 2002 as amended) and the Netherlands (Article 2:403 of the Dutch Civil Code), as set out in note 36. In addition, the Company has also availed of the exemption from filing subsidiary financial statements in Luxembourg, Germany, the Netherlands and Ireland.

The Company does not expect any material loss to arise from these guarantees and considers their fair value to be negligible.

32. Other financial commitments

Commitments for the acquisition of property, plant, equipment and computer software at 31 December for which no provision has been made in the accounts are as follows:

	2019 €'m	2018 €'m
Group:		
Commitments in respect of contracts placed	**109.1**	104.6
Expenditure authorised by the Directors but not contracted for at the financial year end	**115.5**	113.7
	224.6	218.3

33. Related party transactions

(i) Trading with Directors

In their ordinary course of business as farmers, certain Directors have traded on standard commercial terms with the Group's Agribusiness division. Aggregate purchases from, and sales to, these Directors amounted to **€0.2m** (2018: €0.2m) and **€0.1m** (2018: €0.1m) respectively. The trading balance outstanding to the Group at the financial year end was **€nil** (2018: €0.1m).

All transactions with Directors were on standard commercial terms. The amounts outstanding are unsecured and will be settled in cash. No expense has been recognised in the financial year for bad or doubtful debts in respect of amounts owed by Directors.

(ii) Trading between Parent Company and subsidiaries

Transactions in the financial year between the Parent Company and its subsidiaries included dividends received of **€172.5m** (2018: €177.5m), cost recharges of **€19.0m** (2018: €19.6m), and trade and other receivables of **€135.8m** (2018: €94.1m). The Parent Company has also provided a guarantee in respect of borrowings of subsidiaries which is disclosed in note 31.

(iii) Trading with associates and joint ventures

Details of transactions and balances outstanding with associates and joint ventures are as follows:

	Rendering of services		Sale of goods		Amounts receivable/ (payable) at 31 December	
	2019 €'m	2018 €'m	2019 €'m	2018 €'m	2019 €'m	2018 €'m
Associates	**-**	-	**-**	(0.3)	**-**	-
Joint ventures	**0.1**	-	**0.4**	-	**-**	-

These trading transactions are undertaken and settled at normal trading terms. The Group had amounts payable to joint ventures of **€0.2m** (2018: €nil). A loan of **€0.2m** was advanced to Proparent B.V. (2018: €nil) with interest charged on commercial terms.

(iv) Trading with other related parties

As detailed in the Directors' Report, Kerry Co-operative Creameries Limited is considered to be a related party of the Group as a result of its significant shareholding in the Parent Company. During 2019, dividends of **€17.3m** (2018: €15.6m) were paid to Kerry Co-operative Creameries Limited based on its shareholding. A subsidiary of Kerry Group plc traded product to the value of **€0.1m** (2018: €0.1m) on behalf of Kerry Co-operative Creameries Limited.

(v) Transactions with key management personnel

The Board of Directors are deemed to be key management personnel of Kerry Group plc as they are responsible for planning, directing and controlling the activities of the Group.

In addition to their salaries and short-term benefits, the Group also contributes to post-retirement defined benefit, defined contribution and saving plans on behalf of the Executive Directors (note 26). The Directors also participate in the Group's Long Term Incentive Plan (LTIP) (note 28).

Remuneration cost of key management personnel is as follows:

	2019 €'m	2018 €'m
Short term benefits (salaries, fees and other short term benefits)	**6.7**	6.7
Post-retirement benefits	**0.5**	0.6
LTIP accounting charge	**2.3**	2.4
Other long term benefits	**-**	-
Termination benefits	**-**	-
Total	**9.5**	9.7

33. Related party transactions (continued)

(v) Transactions with key management personnel (continued)

Retirement benefit charges of **€0.2m** (2018: €0.1m) arise under a defined benefit scheme relating to **1** Director (2018: 1 Director) and charges of **€0.3m** (2018: €0.5m) arise under a defined contribution scheme relating to **2** directors (2018: 3 Directors). The LTIP accounting charge above is determined in accordance with the Group's accounting policy for share-based payments.

Post-retirement benefits in the above table and the statutory and listing rules disclosure in respect of pension contributions in the Executive Directors' remuneration table in the remuneration report are determined on a current service cost basis.

The aggregate amount of gains accruing to Executive Directors on the exercise of share options is **€nil** (2018: €1.1m). Dividends totalling **€0.1m** (2018: €0.1m) were also received by key management personnel during the financial year, based on their personal interests in the shares of the company.

34. Events after the balance sheet date

Since the financial year end, the Group has proposed a final dividend of **55.10 cent** per A ordinary share (note 10).

There have been no other significant events, outside the ordinary course of business, affecting the Group since 31 December 2019.

35. Reserves

Fair value through other comprehensive income reserve (FVOCI)

The fair value through other comprehensive income reserve represents the unrealised gains and losses on the financial assets held at fair value through other comprehensive income by the Group.

Capital redemption reserve

Capital redemption reserve represents the nominal cost of the cancelled shares in 2007.

Other undenominated capital

Other undenominated capital represents the amount transferred to reserves as a result of renominalising the share capital of the Parent Company due to the euro conversion in 2002.

Share-based payment reserve

The share-based payment reserve relates to invitations made to employees to participate in the Group's Long Term Incentive Plan and the element of the Group's Short Term Incentive Plan that is settled in shares/share options. Further information in relation to this share-based payment is set out in note 28.

Translation reserve

Exchange differences relating to the translation of the balance sheets of the Group's foreign currency operations from their functional currencies to the Group's presentation currency (euro) are recognised directly in other comprehensive income and accumulated in the translation reserve.

Hedging reserve

The hedging reserve represents the effective portion of gains and losses on hedging instruments from the application of cash flow hedge accounting for which the underlying hedged transaction is not impacting profit or loss. The cumulative deferred gain or loss on the hedging instrument is reclassified to profit or loss only when the hedged transaction affects the profit or loss.

Cost of hedging reserve

The cost of hedging reserve arises from where the Group has entered into cross currency interest rate swaps. Such cross currency interest rate swaps have basis risk as there are characteristics in the cross currency interest rate swap contracts that are not present in the hedged item, being currency basis spreads.

Retained earnings

Retained earnings refers to the portion of net income, which is retained by the Group rather than distributed to shareholders as dividends.

36. Group entities

Principal subsidiaries and joint venture undertakings

Country	Company Name	Nature of Business	Registered Office
Ireland	Accommodation Tralee Limited	Investment	1
	Ballyfree Farms Limited	Consumer Foods	1
	Breeo Brands Limited	Consumer Foods	1
	Breeo Foods Limited	Consumer Foods	1
	Carteret Investments Unlimited Company	Investment	1
	Cuarto Limited	Taste & Nutrition	1
	Dawn Dairies Limited	Consumer Foods	1
	Denny Foods Limited	Investment	1
	Duffy Meats Limited	Consumer Foods	1
	Fambee Limited	Consumer Foods	1
	Glenealy Farms (Turkeys) Limited	Consumer Foods	1
	Golden Vale Clare Limited	Investment	1
	Golden Vale Dairies Limited	Agribusiness	1
	Golden Vale Food Products Unlimited Company	Investment	1
	Golden Vale Holdings Limited	Investment	1
	Golden Vale Investments Limited	Investment	1
	Golden Vale Limited	Investment	1
	Grove Farm Limited	Investment	1
	Helios Limited	Investment	1
	Henry Denny & Sons (Ireland) Limited	Consumer Foods	1
	Ichor Management Limited	Investment	1
	Ivernia Pig Developments Limited	Consumer Foods	1
	Kerry Agri Business Holdings Limited	Investment	1
	Kerry Agri Business Trading Limited	Agribusiness	1
	Kerry Creameries Limited	Agribusiness	1
	Kerry Food Ingredients (Cork) Limited	Taste & Nutrition	1
	Kerry Foods Limited	Consumer Foods	1
	Kerry Group Business Services Limited	Services	1
	Kerry Group Financial Services Unlimited Company	Services	1
	Kerry Group Finance International Limited	Services	1
	Kerry Group Services International Limited	Services	1
	Kerry Group Services Limited	Services	1
	Kerry Health and Nutrition Institute Limited	Taste & Nutrition	1
	Kerry Holdings (Ireland) Limited	Investment	1
	Kerry Ingredients & Flavours Limited	Taste & Nutrition	1
	Kerry Ingredients (Ireland) Limited	Taste & Nutrition	1
	Kerry Ingredients Holdings (Ireland) Limited	Investment	1
	Kerry Treasury Services Limited	Services	1
	Kerrykreem Limited	Consumer Foods	1
	Lifesource Foods Research Limited	Investment	1
	Maddens Milk Limited	Investment	1
	National Food Ingredients Limited	Taste & Nutrition	1

36. Group entities (continued)

Principal subsidiaries and joint venture undertakings (continued)

Country	Company Name	Nature of Business	Registered Office
Ireland	Newmarket Co-operative Creameries Limited	Taste & Nutrition	1
	Plassey Holdings Limited	Investment	1
	Princemark Holdings Designated Activity Company	Services	1
	Putaxy Limited	Investment	1
	Rye Developments Limited	Services	1
	Rye Investments Limited	Consumer Foods	1
	Rye Valley Foods Limited	Consumer Foods	1
	Selamor Limited	Consumer Foods	1
	Tacna Investments Limited	Investment	1
	William Blake Limited	Taste & Nutrition	1
	Zenbury International Limited	Services	1
UK	Henry Denny & Sons (N.I.) Limited	Consumer Foods	2
	Dairy Produce Packers Limited	Consumer Foods	2
	Golden Cow Dairies Limited	Consumer Foods	2
	Golden Vale (NI) Limited	Investment	2
	Leckpatrick Dairies Limited	Consumer Foods	2
	Leckpatrick Holdings Limited	Investment	2
	RVF (UK) Limited	Consumer Foods	2
	Kerry Foods Limited	Consumer Foods	3
	Kerry Holdings (U.K.) Limited	Investment	3
	Kerry Savoury Foods Limited	Consumer Foods	3
	Noon Group Limited	Consumer Foods	3
	Noon Products Limited	Consumer Foods	3
	Oakhouse Foods Limited	Consumer Foods	3
	Rollover Holdings Limited	Consumer Foods	3
	Rollover Group Limited	Consumer Foods	3
	Rollover Limited	Consumer Foods	3
	E B I Foods Limited	Taste & Nutrition	4
	Gordon Jopling (Foods) Limited	Taste & Nutrition	4
	Kerry Ingredients (UK) Limited	Taste & Nutrition	4
	Kerry Ingredients Holdings (U.K.) Limited	Investment	4
	Titusfield Limited	Taste & Nutrition	4
	Kerry Flavours UK Limited	Taste & Nutrition	4
Belgium	Kerry Holdings Belgium NV	Taste & Nutrition	5
Netherlands	Kerry (NL) B.V.	Taste & Nutrition	6
	Kerry Group B.V.	Investment	6
	Proparent B.V. (55% shareholding)	Taste & Nutrition	7
Czech Republic	Kerry Ingredients & Flavours S.R.O.	Taste & Nutrition	8
France	Kerry Ingredients France SAS	Taste & Nutrition	9
	Kerry Ingredients Holdings France SAS	Investment	9
	Kerry Savoury Ingredients France SAS	Taste & Nutrition	9
	Kerry Flavours France SAS	Taste & Nutrition	10

36. Group entities (continued)

Principal subsidiaries and joint venture undertakings (continued)

Country	Company Name	Nature of Business	Registered Office
Germany	Kerry Food GmbH	Taste & Nutrition	11
	Kerry Ingredients GmbH	Taste & Nutrition	11
	SuCrest GmbH	Taste & Nutrition	12
	Vicos Nahrungsmittel GmbH	Taste & Nutrition	12
	Red Arrow Handels GmbH	Taste & Nutrition	13
Belarus	Unitary Manufacturing Enterprise "Vitella"	Taste & Nutrition	14
Denmark	Cremo Ingredients A/S	Taste & Nutrition	15
Italy	Kerry Ingredients & Flavours Italia S.p.A.	Taste & Nutrition	16
Poland	Kerry Polska Sp. z.o.o.	Taste & Nutrition	17
Hungary	Kerry Hungaria Kft	Taste & Nutrition	18
Luxembourg	Kerry Luxembourg S.a.r.l.	Services	19
	Zenbury International Limited S.a.r.l.	Services	19
Romania	Kerry Romania s.r.l.	Taste & Nutrition	20
Russia	Kerry Limited Liability Company	Taste & Nutrition	21
Spain	Kerry Iberia Taste & Nutrition S.L.U.	Taste & Nutrition	22
	Harinas y Sémolas del Noroeste S.A.U.	Taste & Nutrition	23
	Pevesa Biotech S.A.U.	Taste & Nutrition	24
Slovakia	Dera SK S.R.O.	Taste & Nutrition	25
Sweden	Tarber AB	Taste & Nutrition	26
Ukraine	Kerry Ukraine LLC	Taste & Nutrition	27
USA	Kerry Holding Co.	Investment	28
	Kerry Inc.	Taste & Nutrition	28
	Ganeden Biotech, Inc.	Taste & Nutrition	29
	Insight Beverages, Inc.	Taste & Nutrition	30
	Fleischmann's Vinegar Company, Inc.	Taste & Nutrition	31
	Ariake U.S.A., Inc.	Taste & Nutrition	32
Canada	Kerry (Canada) Inc.	Taste & Nutrition	33
Mexico	Kerry Ingredients (de Mexico) S.A. de C.V.	Taste & Nutrition	34
Brazil	Kerry do Brasil Ltda.	Taste & Nutrition	35
	Kerry da Amazonia Ingredientes e Aromas Ltda.	Taste & Nutrition	36
Costa Rica	Baltimore Spice Central America S.A.	Taste & Nutrition	37
Chile	Kerry Chile Ingredientes, Sabores Y Aromas Ltda.	Taste & Nutrition	38
Colombia	Kerry Ingredients & Flavours Colombia S.A.S.	Taste & Nutrition	39
Panama	Baltimore Spice Panama S.A.	Taste & Nutrition	40
Guatemala	Baltimore Spice Guatemala S.A.	Taste & Nutrition	41
	Aromaticos de Centroamerica S.A.	Taste & Nutrition	42
El Salvador	Baltimore Spice de El Salvador S.A. de C.V.	Taste & Nutrition	43
	Aromateca S.A. de C.V.	Taste & Nutrition	43
Thailand	Kerry Ingredients (Thailand) Limited	Taste & Nutrition	44
Philippines	Kerry Food Ingredients (Philippines), Inc.	Taste & Nutrition	45
	Kerry Manufacturing (Philippines), Inc.	Taste & Nutrition	46

36. Group entities (continued)

Principal subsidiaries and joint venture undertakings (continued)

Country	Company Name	Nature of Business	Registered Office
Singapore	Kerry Ingredients (S) PTE Limited	Taste & Nutrition	47
Malaysia	Kerry Ingredients (M) Sdn. Bhd.	Taste & Nutrition	48
	Kerry Group Business Services (ASPAC) Sdn. Bhd.	Taste & Nutrition	48
Japan	Kerry Japan Kabushiki Kaisha	Taste & Nutrition	49
China	Kerry Food Ingredients (Hangzhou) Co. Ltd	Taste & Nutrition	50
	Kerry Ingredients Trading (Shanghai) Co. Ltd	Taste & Nutrition	51
	Kerry Foods (Nantong) Co Limited	Taste & Nutrition	52
	TianNing Flavour & Fragrance (Jiangsu) Co., Ltd	Taste & Nutrition	53
	Zhejiang Hangman Food Technologies Co. Ltd	Taste & Nutrition	54
	SIAS (Dachang) Food Co., Ltd	Taste & Nutrition	55
Egypt	Kerry Egypt LLC	Taste & Nutrition	56
Indonesia	PT Kerry Ingredients Indonesia	Taste & Nutrition	57
India	Kerry Ingredients India Private Limited	Taste & Nutrition	58
Australia	Kerry Ingredients Australia Pty Limited	Taste & Nutrition	59
New Zealand	Kerry Ingredients (NZ) Limited	Taste & Nutrition	60
Kenya	Kerry Kenya Limited	Taste & Nutrition	61
South Africa	Kerry Ingredients South Africa (Proprietary) Limited	Taste & Nutrition	62
	Season to Season Flavour Manufacturers (Pty) Limited	Taste & Nutrition	63
South Korea	Kerry Ingredients Korea LLC	Taste & Nutrition	64
	Jungjin Food Co. Limited	Taste & Nutrition	65
Saudi Arabia	AATCO Food Industries L.L.C. (90% shareholding)	Taste & Nutrition	66
Oman	AATCO Food Industries LLC (90% shareholding)	Taste & Nutrition	67
Vietnam	Kerry Taste & Nutrition (Vietnam) Company Limited	Taste & Nutrition	68

Notes

(a) All group entities are wholly owned subsidiaries unless otherwise stated.
(b) Country represents country of incorporation and operation. Ireland refers to the Republic of Ireland.
(c) With the exception of the USA, Canadian and Mexican subsidiaries, where the holding is in the form of common stock, all holdings are in the form of ordinary shares.

36. Group entities (continued)

Registered Office

1	Prince's Street, Tralee, Co Kerry, V92 EH11, Ireland.
2	Millburn Road, Coleraine, Northern Ireland BT52 1QZ, United Kingdom.
3	Thorpe Lea Manor, Thorpe Lea Road, Egham, Surrey TW20 8HY, England.
4	Bradley Road, Royal Portbury Dock, Bristol BS20 7NZ, England.
5	Havenlaan 86C, Bus 204, 1000 Brussels, Belgium.
6	Maarssenbroeksedijk 2a, 3542 DN Utrecht, The Netherlands.
7	Cuneraweg 9c, Ochten, 4051 CE, The Netherlands.
8	Jindřišská 937/16, Nové Město, 110 00 Praha 1, Czech Republic.
9	43 rue Louis Pasteur, 62575 Blendecques, France.
10	Zone Industrielle du Plan, BP 82067, 06131 Grasse, CEDEX, France.
11	Hauptstrasse 22-26, D-63924 Kleinheubach, Germany.
12	Neckarstraße 9, 65239 Hochheim/Main, Germany.
13	Hanna-Kunath-Strasse 25, 28199, Bremen, Germany.
14	P. Brovki Str., 44 210039 Vitebsk, Belarus.
15	Toftegardsvej 3, DK-5620, Glamsbjerg, Denmark.
16	Via Capitani Di Mozzo 12/16, 24030 Mozzo, Bergamo, Italy.
17	25-558 Kielce, Ul. Zagnanska 97a, Kielce, Poland.
18	Dévai utca 26-28, Budapest, H-1134, Hungary.
19	17 Rue Antoine Jans, L-1820 Luxembourg, Grand-Duchy of Luxembourg, Luxembourg.
20	BIROUL NR.5, Etaj 5, Nr. 4D, CORP C, Strada GARA HERĂSTRĂU, Bucureşti Sectorul 2, Romania.
21	RigaLand Business Centre, 26 km Baltiya Highway , Krasnogorskiy District, 143421, Moscow, Russia.
22	Calle Coto de Doñana, 15, 28320 Pinto, Madrid, Spain.
23	Polígono Industrial de las Gándaras de Budino, O Porrino, Pontevedra, Spain.
24	Avda de la Industria s/n, Visos del Alcor, Seville, Spain.
25	Hodžovo námestie 1A, Bratislava, 811 06, Slovakia.
26	Box 1420 - Frejgatan 13, 114 79 Stockholm, Sweden.
27	Office 2-301, build 2, Ave Ohtyrsky 7, Kiev, Ukraine.
28	3400 Millington Road, Beloit WI 53511, United States.
29	5800 Landerbrook Drive, Suite 300, Mayfield Heights OH 44124, United States.
30	635 Oakwood Road, Lake Zurich IL 60047, United States.
31	12604 Hiddencreek Way # A, Cerritos, CA 90703, United States.
32	1711 North Liberty Street, Harrisonburg VA 22802, United States.
33	615 Jack Ross Avenue Woodstock ON N4S 8A4, Canada.
34	Carr. Panamericana, Salamanca Km 11.2, 36660 Irapuato, Guanajuato, Mexico.
35	Avenida Mercedes Benz 460, Distrito Industrial, Campinas, Sao Paolo, 13054-750, Brazil.
36	Rua Hidra 188, Santo Agostinho, Manaus, 69036-520, Brazil.
37	Del Liceo de Pavas 200 Oeste, 100 Norte Zip Code 1035-1200, San José, Costa Rica.
38	C.M. El Trovador No. 4280, Of 1205, Las Condes, Suc. Cerro Portezuelo 9901, Quilicura, Santiago, Chile.
39	Carrera 7 No 71-52, Torre A Piso 5, Bogota, Colombia.
40	Parque Industrial Costa del Este Calle Avenida Principal y 3ra Lote 88. Corregimiento, Parque Lefevre 0819-01869, Panama.
41	Avenida Petapa 52-20, Zona 12, Guatemala.
42	23 Avenida 34-61, Zona 12, Colonia Santa Elisa, Ciudad de Guatemala, CP. 01012, Guatemala.

36. Group entities (continued)

Registered Office (continued)

43 Calle L-3, Numero 10-B, Complejo Industrial Merliot Blvd Si-Ham, Antiguo Cuscatlan, Ciudad Merliot, La Libertad, CP. 1502, El Salvador.

44 No 618, Moo 4, Bangpoo Industrial Estate, Praksa Sub District, Muang District, Samutprakarn Province, Thailand.

45 GF/SFB#1, Mactan Economic Zone 1, Lapulapu City, Cebu, Philippines.

46 5th Ave Bgc, Taguig, Metro Manila, Philippines.

47 8 Biomedical Grove, #02-01/04 Neuros, Singapore 138665, Singapore.

48 Suite 1301, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia.

49 Kamiyacho Sankei Building. 2F, 1-7-2, Azabudai 1-chome, Minato-ku, Tokyo 106-0041, Japan.

50 Renhne Industry Zone, Jiulong Village, Hangzhou, China.

51 Room 248, Ximmao Building, 2 Tai Zhong Road South, Waigaoqiao Free Trade Zone, Shanghai, China.

52 North side of Xiang, Jiang Road, RuDong County, Nantong, China.

53 Dujiashan, Huayang, Jurong, Jiangsu Province, China.

54 26 Tai Ping Qiao Industry Park, Xin'an, Deqing Country, Zheijiang Province, China.

55 North side of XinYe Road, West side of LiDaXian, DaChang Industrial District, LangFang City, HeBei Province, China.

56 Olympic Building, Ramsis Extension St., 6th District, Nasr City, Cairo, Egypt.

57 JL Industri Utama Blok SS No. 6, Jababeka II Mekarmukti, Cikarang Utara, Bekasi 17520, Indonesia.

58 Unit No. 302, 3rd Floor, Ecospace Campus 3B, Marathahalli – Sarjapur Outer Ring Road, Bellandur, Bangalore – 560103, Karnataka, India.

59 No 8 Holker Street, Newington, NSW 2127, Australia.

60 11-13 Bell Avenue, Otahuhu, Auckland, New Zealand.

61 Avocado Towers, L.R. No 209/1907, Muthithi Road, Nairobi, 00100, Kenya.

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63 Stand 372, Angus Cresent, Northlands Business Park, Northriding, 2164, South Africa.

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66 PO Box Number: 42511, PC 21551, Jeddah, Al Mehjar, 2nd Industrial City-Jeddah-Kin, Saudi Arabia.

67 PO Box 793, P.C-112, Muscat, Sultanate of Oman, Oman.

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FINANCIAL DEFINITIONS

(NOT COVERED BY INDEPENDENT AUDITORS' REPORT)

1. Revenue

Volume growth

This represents the sales growth year-on-year, excluding pass-through pricing on raw material costs, currency impacts, acquisitions (net of disposals) and rationalisation volumes.

Volume growth is an important metric as it is seen as the key driver of top-line business improvement. This is used as the key revenue metric, as Kerry operates a pass-through pricing model with its customers to cater for raw material price fluctuations. Pricing therefore impacts like-for-like revenue growth positively or negatively depending on whether raw material prices move up or down. A full reconciliation to reported revenue growth is detailed in the revenue reconciliation below.

Revenue Reconciliation

2019	**Volume growth**	**Price**	**Transaction currency**	**Acquisitions/ Disposals**	**Translation currency**	**Reported revenue growth**
Taste & Nutrition	4.0%	0.1%	-	5.8%	2.6%	**12.5%**
Consumer Foods	(2.2%)	(0.5%)	-	-	0.3%	**(2.4%)**
Group	2.8%	-	-	4.7%	2.1%	**9.6%**

2018						
Taste & Nutrition	4.1%	(0.5%)	(0.1%)	4.2%	(4.0%)	3.7%
Consumer Foods	1.1%	(0.4%)	(0.3%)	0.8%	(0.6%)	0.6%
Group	3.5%	(0.5%)	(0.1%)	3.6%	(3.4%)	3.1%

2. EBITDA

EBITDA represents profit before finance income and costs, income taxes, depreciation (net of capital grant amortisation), intangible asset amortisation and non-trading items.

	2019 €'m	2018 €'m
Profit after taxation attributable to owners of the parent	**566.5**	540.5
Finance income	**(0.3)**	(0.5)
Finance costs	**81.9**	67.5
Income taxes	**79.4**	77.4
Non-trading items	**110.9**	66.9
Intangible asset amortisation	**64.3**	53.8
Depreciation (net of capital grant amortisation)	**191.4**	134.1
EBITDA	**1,094.1**	939.7

The calculation of EBITDA in 2019 reflects the impact of the adoption of IFRS 16 'Leases', prior year comparatives were not restated.

3. Trading Profit

Trading profit refers to the operating profit generated by the businesses before intangible asset amortisation and gains or losses generated from non-trading items. Trading profit represents operating profit before specific items that are not reflective of underlying trading performance and therefore hinder comparison of the trading performance of the Group's businesses, either year-on-year or with other businesses.

	2019 €'m	2018 €'m
Operating profit	**727.5**	684.9
Intangible asset amortisation	**64.3**	53.8
Non-trading items	**110.9**	66.9
Trading profit	**902.7**	805.6

4. Trading Margin

Trading margin represents trading profit, expressed as a percentage of revenue.

	2019 €'m	2018 €'m
Trading profit	**902.7**	805.6
Revenue	**7,241.3**	6,607.6
Trading margin	**12.5%**	12.2%

5. Operating Profit

Operating profit is profit before income taxes, finance income and finance costs.

	2019 €'m	2018 €'m
Profit before tax	**645.9**	617.9
Finance income	**(0.3)**	(0.5)
Finance costs	**81.9**	67.5
Operating profit	**727.5**	684.9

6. Adjusted Earnings Per Share and Growth in Adjusted Earnings Per Share on a Constant Currency Basis

The growth in adjusted earnings per share on a constant currency basis is provided as it is considered more reflective of the Group's underlying trading performance. Adjusted earnings is profit after taxation attributable to owners of the parent before brand related intangible asset amortisation and non-trading items (net of related tax). These items are excluded in order to assist in the understanding of underlying earnings. A full reconciliation of adjusted earnings per share to basic earnings is provided below. Constant currency eliminates the translational effect that arises from changes in foreign currency year-on-year. The growth in adjusted earnings per share on a constant currency basis is calculated by comparing current year adjusted earnings per share to the prior year adjusted earnings per share retranslated at current year average exchange rates.

	2019 EPS cent	2018 EPS cent
Basic earnings per share	**320.4**	305.9
Brand related intangible asset amortisation	**21.4**	16.3
Non-trading items (net of related tax)	**51.9**	31.2
Adjusted earnings per share	**393.7**	353.4
Impact of retranslating prior year adjusted earnings per share at current year average exchange rates	**-**	10.1
Adjusted earnings per share on a constant currency basis	**393.7**	363.5
Growth in adjusted earnings per share on a constant currency basis	**8.3%**	8.6%

7. Free Cash Flow

Free cash flow is trading profit plus depreciation, movement in average working capital, capital expenditure, payment of lease liabilities, pensions costs less pension expense, finance costs paid (net) and income taxes paid.

Free cash flow is seen as an important indicator of the strength and quality of the business and of the availability to the Group of funds for reinvestment or for return to shareholders. Movement in average working capital is used when calculating free cash flow as management believes this provides a more accurate measure of the increase or decrease in working capital needed to support the business over the course of the year rather than at two distinct points in time and more accurately reflects fluctuations caused by seasonality and other timing factors. Average working capital is the sum of each month's working capital over 12 months. Below is a reconciliation of free cash flow to the nearest IFRS measure, which is 'Net cash from operating activities'.

	2019 €'m	2018 €'m
Net cash from operating activities	**763.9**	651.0
Difference between movement in monthly average working capital and movement in the financial year end working capital	**(25.6)**	21.7
Expenditure on acquisition integration and restructuring costs	**89.1**	59.8
Purchase of assets	**(315.6)**	(296.1)
Payment of lease liabilities	**(35.5)**	-
Proceeds from the sale of property, plant and equipment	**32.8**	10.6
Capital grants received	**3.0**	-
Exchange translation adjustment	**2.5**	(0.5)
Free cash flow	**514.6**	446.5

8. Cash Conversion

Cash conversion is defined as free cash flow, expressed as a percentage of adjusted earnings after tax.

	2019 €'m	2018 €'m
Free cash flow	**514.6**	446.5
Profit after taxation attributable to owners of the parent	**566.5**	540.5
Brand related intangible asset amortisation	**37.8**	28.8
Non-trading items (net of related tax)	**91.7**	55.1
Adjusted earnings after tax	**696.0**	624.4
Cash Conversion	**74%**	72%

9. Financial Covenants

The Net debt: EBITDA and EBITDA: Net interest ratios disclosed are calculated in accordance with lenders' facility agreements using an adjusted EBITDA, adjusted finance costs (net of finance income) and an adjusted net debt value to adjust for the impact of non-trading items, acquisitions net of disposals, deferred payments in relation to acquisitions and lease liabilities. As outlined on page 185, these ratios are calculated in accordance with lenders' facility agreements and these agreements specifically require these adjustments in the calculation.

	Covenant	**2019 Times**	2018 Times
Net debt: EBITDA	Maximum 3.5	**1.8**	1.7
EBITDA: Net interest	Minimum 4.75	**13.2**	14.7

10. Average Capital Employed

Average capital employed is calculated by taking an average of the shareholders' equity and net debt over the last three reported balance sheets plus an additional €527.8m relating to goodwill written off to reserves pre conversion to IFRS.

	2019 €'m	H1 2019 €'m	2018 €'m	H1 2018 €'m	2017 €'m
Shareholders' equity	**4,562.2**	4,186.5	4,034.4	3,773.6	3,573.2
Goodwill amortised (pre conversion to IFRS)	**527.8**	527.8	527.8	527.8	527.8
Adjusted equity	**5,090.0**	4,714.3	4,562.2	4,301.4	4,101.0
Net debt	**1,862.8**	1,918.2	1,623.5	1,403.3	1,341.7
Total	**6,952.8**	6,632.5	6,185.7	5,704.7	5,442.7
Average capital employed	**6,590.3**		5,777.7		

11. Return on Average Capital Employed (ROACE)

This measure is defined as profit after taxation attributable to owners of the parent before non-trading items (net of related tax), brand related intangible asset amortisation and finance income and costs expressed as a percentage of average capital employed.

	2019 €'m	2018 €'m
Profit after taxation attributable to owners of the parent	**566.5**	540.5
Non-trading items (net of related tax)	**91.7**	55.1
Brand related intangible asset amortisation	**37.8**	28.8
Net finance costs	**81.6**	67.0
Adjusted profit	**777.6**	691.4
Average capital employed	**6,590.3**	5,777.7
Return on average capital employed	**11.8%**	12.0%

12. Total Shareholder Return

Total shareholder return represents the change in the capital value of Kerry Group plc shares plus dividends in the financial year.

	2019	2018
Share price (1 January)	€86.50	€93.50
Interim dividend (cent)	**23.5**	21.0
Dividend paid (cent)	**49.2**	43.9
Share price (31 December)	**€111.10**	€86.50
Total shareholder return	**29.3%**	(6.8%)

13. Market Capitalisation

Market capitalisation is calculated as the share price times the number of shares issued.

	2019	2018
Share price (31 December)	**€111.10**	€86.50
Shares in issue ('000)	**176,514.9**	176,298.4
Market capitalisation (€'m)	**19,610.8**	15,249.8

14. Enterprise Value

Enterprise value is calculated as per external market sources. It is market capitalisation plus reported borrowings less total cash and cash equivalents.

15. Net Debt

Net debt comprises borrowings and overdrafts, interest rate derivative financial instruments and cash at bank and in hand. See full reconciliation of net debt in note 23 to the financial statements on pages 182-184.

NOTES

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